CURRENT HISTORY

October, 1935 Price 25 Cents

THE NEW YORK TIMES COMPANY

CURRENT HISTORY

OCTOBER 1935

The Drift to War

By FRANK H. SIMONDS*

A EUROPEAN war in the next few months is entirely unlikely, but peace beyond the middle of next Summer must be excessively precarious. The acute tension provoked by the Ethiopian crisis has again, as during the other crises that have followed one another with disturbing regularity and speed in the past three years, directed speculation toward possible later developments in the European tangle.

Hitherto the various European crises, those precipitated by Germany's withdrawal from the League and the Disarmament Conference in 1933, by the Putsch in Vienna in 1934 and by Hitler's rearmament announcement this year, have been the direct outcome of German events. Each, too, has ended by temporarily restoring some semblance of unity among the nations which were allies during the World War. After the last of these episodes, too, agreement at Stresa and action at Geneva seemed to disclose that Great Britain, France, Italy, the Soviet Union and the States of the Little Entente were united upon a common policy to defend the territorial status quo of the Treaty of Versailles and to employ to that end the machinery and the moral authority of the League.

Mussolini's Ethiopian adventure has, however, at a single stroke, shattered the Stresa front and shaken the League to its foundations. It has also produced the first major crisis in the post-war period in which Germany has played no part and in which her enemies of the war themselves have come into violent collision. Nor can one mistake the fact that after its early stages this crisis was transformed from a dispute between Italy and all the League States into a clash between Rome and London in which the issue arose out of a divergence of interests that promised to be not transient but permanent.

It is upon this last detail that all

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discussion of the outlook for the future in Europe must turn. If the ultimate consequence of this Ethiopian crisis is a shift in the direction of British policy, then clearly the break with the earlier post-war period will be complete. There is, moreover, an interesting parallel between Mussolini's recent challenge to Great Britain and the circumstances which thirty years ago attended the descent of Kaiser Wilhelm II upon Tangier.

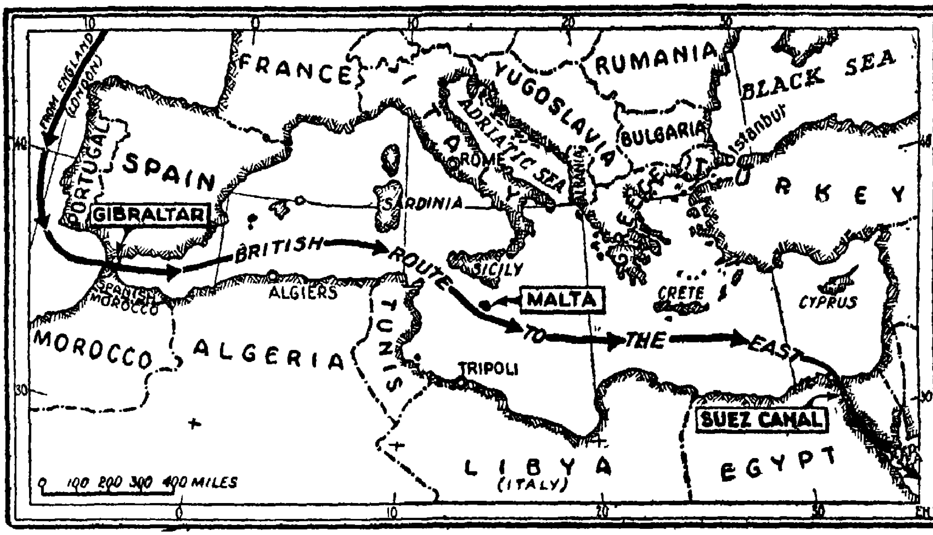
Nominally aimed at the French policy of "Tunisification" in Morocco, this sensational gesture of the Kaiser was actually directed at Great Britain, which had in 1904 made the celebrated entente with France. Taking advantage of Russian defeat in Manchuria and the consequent impossibility of France to stand alone against Germany, the Kaiser attempted to demonstrate German power. But, although the Moroccan affair constituted a momentary diplomatic triumph for Berlin, it also provided a warning to London which had momentous consequences.

Before the Tangier affair, Great Britain had remained hesitant whether to join the French or German camps into which the European powers were then divided. As recently as 1898, war between France and Great Britain over the Sudan had seemed possible, and if the agreements of 1904 had removed the causes of colonial dispute that had produced the Fashoda crisis, the entente thus established was negative rather than positive in character. France and Great Britain by its terms liquidated their own differences, but the latter undertook no European responsibilities on behalf of the former.

After Tangier, however, Great Britain once more turned to the employment of her historic device of the balance of power. In the challenge of Wilhelm II she identified the sign of the approach of a new Napoleon and the threat of a fresh bid for Continental hegemony. Thus, as she had broken with the Russian ally of 1815 to make war in alliance with the French foe of Waterloo in the Crimea in 1855, so, half a century later, she took her position beside France and Russia against Germany. And the eventual consequences of Tangier were disclosed in the final crisis provoked by the crime of Sarajevo.

Alike for British security and prestige, moreover, Mussolini's challenge to Great Britain has been more direct and disastrous than that of the Russian Czar which led to the Crimean War or that of the German Emperor which prepared the way for the World War. When the British agents at Geneva undertook to employ the League machinery to coerce Italy, Mussolini's prompt response was that sanctions meant war. And, in the face of Mussolini's undisguised purpose to fight rather than yield, the British Government was warned by the Admiralty that the fleet could not keep open the line of communications leading by Gibraltar and Malta to Suez and India. No less paralyzing was the admonition of the military authorities that Egypt and the Sudan could not be defended against Italian attack from either Libya or Eritrea.

Not since Marchand's tiny force had emerged from the swamps and wilderness of the Bahr-el-Ghazal and taken position on the Nile at Fashoda had British interests in Africa been similarly threatened. Then the British answer was swift and decisive. While Kitchener, but lately victor at Omdurman, moved up the Nile with an overwhelmingly superior military expedition, London served upon Paris a virtual ultimatum. Rather than permit a French occupation of a position on the Cape-to-Cairo route, Britain was



Britain's Mediterranean Lifeline

ready to fight and, since France was not, France had to surrender.

In 1898, however, France could be coerced because the British fleet dominated the Mediterranean. French communications with Algeria and Tunis, not those of Britain with Egypt and India, would have been cut. In 1935, by contrast, it has been Italy who has held the upper hand, since her air force, submarines and swift cruisers could patently close the Mediterranean to British shipping and cover the route between the Peninsula and Cyrenaica and thus support an army launched from Libya against Egypt. Nor has it been less apparent that the 250,000 Italian troops established on the margin of the Sudan could easily dispose of the small Anglo-Egyptian army based on Khartum.

Mussolini thus gave notice to Prime Minister Baldwin and his colleagues of the National government that the price of any interference with Italian purposes in Ethiopia would be the cutting of the lifeline of imperial communications and the compromising of the British position in Egypt and the Sudan. Malta, the central point in the British Mediterranean system, was disclosed at the mercy of the Italian air squadrons. Nor could this situation be seriously modified by military, naval or air concentrations. Actually, geography and the development of air and underwater craft have permanently transformed the face of things. Henceforth, as long as Italy is strong, so long will she be able to make British interests in the Mediterranean and East Africa hostages for British assent to her own imperial designs.

It is this new fact which has to be reckoned with in all attempts to analyze the European situation. Normally it is plain that the reaction of the British to this latest challenge to their security and interest would be the traditional shift from one camp to another. A hint from London would suffice to move Hitler to exert pressure upon Italy on the Danube, which would compel the abandonment of the enterprise beyond the Blue Nile. An Anglo-German entente, therefore, would seem the simplest and most effective manoeuvre to disarm the Duce.

Unfortunately for Baldwin, however, the old device cannot find new

employment without at the same time exposing Great Britain to grave danger. On the Continent not one but two Napoleons are in the field and the political conditions suggest not a checkerboard but a kaleidoscope. Nor can any sensible Briton question the fact that for his country the eventual menace now taking form in the North Sea must be far more serious than the peril that has already arrived in the Mediterranean. Beyond this detail, too, lies the patent truth that to march with Germany would be to invite a clash with France, the Soviet Union and the nations of the Little Entente, who are united by a common fear of Hitler.

It was because all these countries were inspired by the same apprehension that the British Government failed to enlist their support for its program of sanctions and its purpose to use the League to curb Mussolini's ambitions. Eager as were the French to preserve their wartime partnership with England, they were even more anxious to retain the still recently acquired friendship with Italy. For them the Italian army at the Brenner Pass appeared a more solid guarantee of their own security at the Rhine than did the British fleet. Thus France and her allies, reluctantly to be sure, but not less definitely, sacrificed the League to their own necessities.

The disclosure of the weakness of Geneva constituted for the British almost as grave a disaster as the revelation of the strength of Italy. Throughout the post-war years the League has been the cornerstone of British policy. Relying upon the imagined strength of this new collective system, the British have steadfastly declined to become a partner in the anti-German coalition which France has sought to establish in Europe. In moments of crisis, such as that which provoked the Stresa Conference, they have stood with France against Germany, but at other times, as in the still more recent Anglo-German naval conversations, they have dealt with their old foe without consideration for the feelings or interests of their former ally.

Confronted now by the double demonstration of Italian strength and League weakness, what can and will Great Britain do? Upon the answer to this question must turn all appraisal of the immediate and even more distant future in Europe. In theory, of course, it remains open to the British to do nothing, but that is to surrender unconditionally to the tide that is sweeping Europe forward toward war. For Great Britain a new general war has implications no Briton is quite ready to face, since there are few subjects of King George who believe British neutrality can be preserved.

Patently, if Mussolini comes to grief in Ethiopia, either by reason of actual defeat or because of the strain of a protracted conflict, a domestic upheaval in Italy may abolish the threat a strong Italy must have for Great Britain in the Mediterranean and Northeast Africa. On the other hand, such an event will certainly serve as a signal for Hitler to begin his long-prepared advance down the Danube. With Italy eliminated as a military force in Europe, the arrival of German Continental hegemony would seem probable, if not certain. In such circumstance Hitler would be no more likely than was Napoleon to avoid a clash with Great Britain.

British interests would be completely served by the simultaneous collapse of fascism and national socialism; but while Hitler continues to rule the Reich, Great Britain can hardly afford to contribute even indirectly to the decisive weakening of Italy. For any

enterprise designed to hamper Mussolini, even by financial and economic pressure, the British can count on no aid from France. Furthermore, even a continuation of the tension between Rome and London might hasten the day when Hitler embarks upon his own imperial adventure. Least of any country in Europe does Great Britain desire war.

Actually, then, the British have to discover a new line of policy, and they have also to give effect to any course they may take by providing themselves with the military and naval means to carry out that policy. It is plain, too, that in recent weeks not only the British Government but also the British public have been looking eagerly, if not too hopefully, toward Washington. Only an Anglo-American partnership could provide the British with a certain and safe way out of their present situation. Failing such an alliance, they can discover no way to avoid being dragged ever more deeply into the Continental mess. Yet even in London the action of Congress in the matter of the neutrality legislation was recognized as the barring of this door finally.

Even without American aid the British may make a further attempt to restore the authority and prestige of the League of Nations. But at Geneva they are bound to be confronted by the demand of the anti-German bloc that they take an uncompromising stand and assume precise and far-reaching responsibilities. These countries no longer believe that war can be permanently prevented, and during the period of postponement are concerned almost exclusively with preparation for conflict. For them the League has no universal mission, but has become purely and simply an instrument for use against Germany. Thus they have been equally ready to surrender to Japanese imperialism in Asia and Italian imperialism in Africa, since the attempt to give effect to League principles on these continents would weaken the forces available to defeat German ambitions in Europe.

For the British, however, the appeal of the League has lain in the fact that it has seemed to offer an alternative to the old system of alliances and now, when it has been made the instrument of an anti-German combination, that appeal must be diminished if not destroyed. The British cannot exert influence at Geneva so long as they will not accept the purely fatalistic point of view of France and her allies, the conviction that a new war is only a question of two or three years at most and not impossibly merely of months, and, in addition, cast in their lot with these people unconditionally.

The British Government, too, is gravely handicapped by the same state of mind that crippled the Liberal régime in the years immediately preceding the World War. More and more clearly Asquith and his colleagues perceived that war was approaching, but to the end British public opinion declined to regard war as inevitable or British participation in a Continental conflict as possible. Much of the British difficulty in dealing with the Ethiopian affair has arisen from the double demand that the government stand by the League uncompromisingly and yet undeviatingly avoid all risk of war.

Prime Minister Baldwin and his colleagues were thus driven by domestic public opinion to take a position that became untenable once Mussolini had declared himself ready to fight rather than retreat. To evacuate that position, moreover, has involved a sacrifice of prestige hardly paralleled in recent British history and has deprived Great Britain of a large share

of her once great influence precisely at the moment when the general condition is becoming most critical. More clearly than ever before in recent years, too, the fact has been established that force, and force alone, counts at the present stage of European affairs. And, simultaneously, Great Britain has been exposed as too weak to make good her words.

The immediate future in Europe, therefore, belongs to Hitler and Mussolini. At bottom, fascism and national socialism profess the same faith and in combination they might not impossibly dominate the Old World. Such a combination, however, is unlikely, if not impossible, because the two Caesars are conscious rivals, and the material and political interests of their countries clash in the valley of the Danube. So unequal are the resources of these two countries, however, that Mussolini can challenge Hitler only when he is backed by France and the Soviet Union. By contrast, the French and Russians feel themselves dependent upon Italian support to meet the menace implicit in the Nazi program.

Because they need Mussolini and fear Hitler, France, the Soviet Union and many smaller States will continue to refrain from any attempt to restrain Italy's colonial enterprise. Having tried and failed to raise the League powers against Mussolini, Great Britain must now decide whether to join with France and her allies in the combination against Germany which was established at Stresa and has since crumbled, or to stand aside and watch helplessly from her own side of the Channel while Europe plunges into war. In theory, a third course — namely, partnership with Germany, is open; in practice, however, that would be not merely partnership in certain war but an association the very making of which would hasten the arrival of conflict.

For those who remember the events of the pre-war era, the Ethiopian crisis must recall that of Agadir in 1911. Even before that earlier crisis the Tangier and Bosnian affairs had disclosed to the statesmen of Europe the gulf that lay under their feet. In 1905, and again in 1908, talk of war had been general and danger of conflict real. But it was only after the episode of 1911 that the statesmen and publics of Continental countries at last accepted war as inevitable and adopted that fatalistic attitude so surprising to Americans and even to Britons who continued to ignore the realities beneath the surface of European affairs.

The Ethiopian crisis differs from the historic pre-war incidents in that it has been, in a sense, a side issue. The real threat of general war in Europe remains implicit in the purpose and spirit of Nazi Germany. And, in this latest affair, Germany has looked on from the sidelines, unconcerned directly although fully aware of the profit to herself incident to the collapse of the Stresa front. Nevertheless, the effect of the crisis has been to weaken the British hand incalculably and to injure the League beyond exaggeration. And Great Britain and the League were centres of such peace spirit and hope as still survived on the European side of the Atlantic.

Together the Manchurian and Ethiopian crises have destroyed the contemporary effort to substitute consultation by conference for the older diplomatic technique. The earlier affair saw the end of an American drift toward collective action in company with the League powers which had been developing ever since the making of the Kellogg Pact. When the United States discovered that the

League powers would not act to restrain Japan and realized that the ultimate result of an American attempt to promote collective action had been to earn for itself the full weight of Japanese resentment, the reaction was as sure as it was swift.

In the Ethiopian affair Great Britain has had the same experience as the United States had in the Manchurian episode. Seeking to preserve peace, the British have suddenly been faced by the very real possibility of being involved in a war single-handed. When the next crisis comes, the evil consequences of the earlier episodes will unmistakably have a profound influence alike upon American and British policy and public opinion. About the practical value of Geneva, opinions manifestly differ, but over the disaster to the League from the events in Manchuria and Ethiopia there can be no dispute.

Peace beyond the Summer of 1936, as has already been said, must be excessively precarious. German rearmament is proceeding apace, and persistence of the quarrel between London and Rome, or military defeat or economic collapse in Italy, may hasten German action. But only a similar material breakdown in the Reich could exorcise the ever-rising menace of eventual war. The latest crisis has merely served to undermine both British and League barriers to conflict.

The simple truth is that analysis of the contemporary European anarchy can hardly go beyond signaling the steady drift of the Old World toward a general war and the constantly growing pressure of economic privation upon both Mussolini and Hitler. Where pre-war Europe was divided into two coalitions, post-war Europe has disintegrated until not two but at least three camps are to be identified. The distrust of Paris and London for each other is hardly less striking than British suspicion of Italy and French doubt as to Germany.

This incoherence not impossibly constitutes the gravest peril for peace hereafter, because it now offers an almost impregnable barrier to reasonable calculation. Conceivably a sudden and acute danger coming from Germany might restore the old war-time partnership between London, Paris, Rome and Moscow. On the other hand, so great are the present differences that it might prove beyond the resources of statesmanship to establish any semblance of cooperation. The French feel that they have been betrayed by the British in the Anglo-German naval agreements. The British think themselves abandoned by the French in the Ethiopian affair. Italy is resentful of British action and suspicious of French attempts to temporize. The Soviets are nervous, and fear that in the end their British, French and Italian associates at Geneva will sacrifice them to Germany.

No statesman in Europe today has the authority which belonged to Briand before 1931, and there is nothing even remotely recalling that "Big Three of Peace"—Briand, Stresemann and Austen Chamberlain—which made the Truce of Locarno and was able to provide the Old World with five years of relative tranquillity and actual recovery. To all the other perils that make for uncertainty and fear add the domestic situation in France, which overnight may eliminate France as a factor in the international field.

In sum, as M. Claudel, former French Ambassador in Washington, remarked during an earlier period of tension, Europe, during the Ethiopian affair as before, "continues to march from crisis to catastrophe."

Italy's Case Against Ethiopia

By ROBERTO FORGES-DAVANZATI*

THE conflict between Italy and Ethiopia is today represented by those who call themselves pacifists and champions of the League of Nations as a violent and arbitrary improvisation of Fascist Italy. This is an error. It is, in fact, an interested and deliberate distortion of the truth.

First of all a fact that also fixes a date. Even before the unification of Italy, the Kingdom of Sardinia, in order to assure itself of a base of operations outside the Mediterranean, considered the possibility of establishing permanent relations along the Red Sea. The first Italian to land at Massawa was the Genoese Giuseppe Sapeto, who went there in 1838, returned in 1851 and explored the regions of the interior with the sentiment of an Italian and the faith of a Catholic missionary. In 1869, through the efforts of Sapeto, the promontory dominating the Bay of Assab was purchased on behalf of the Rubattino Shipping Company with the consent of the government. In 1882 the purchased territory became the property of the State and therefore politically Italian.

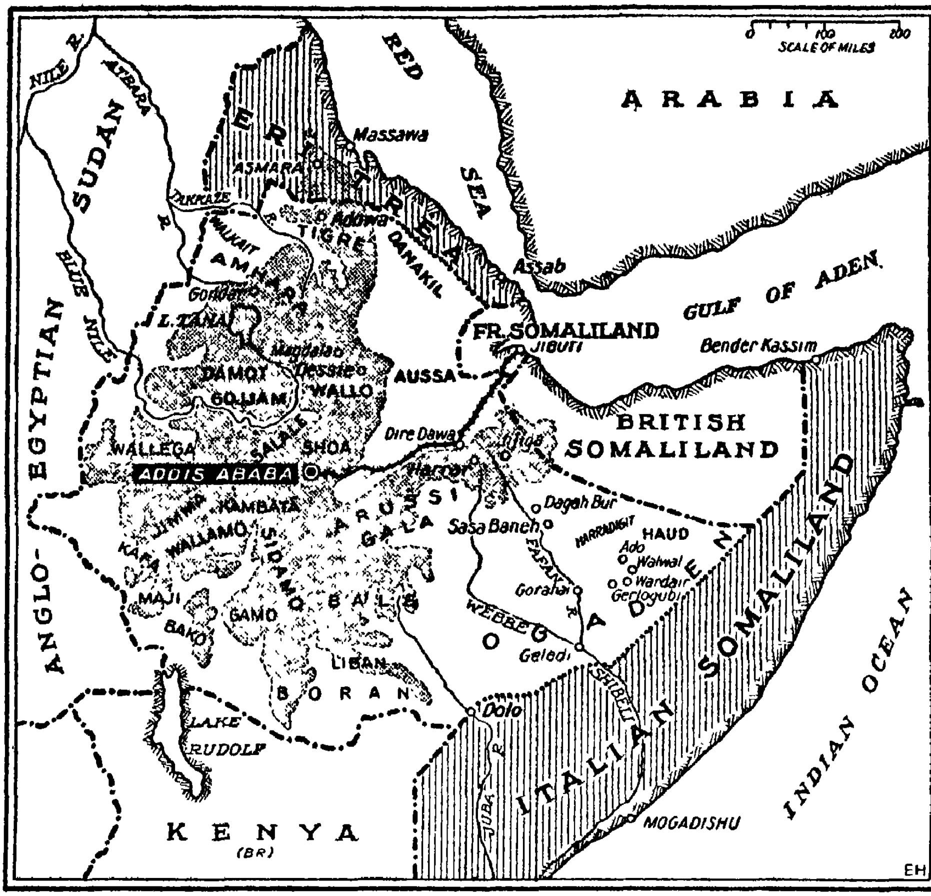
From that moment dates the true beginning of Italian penetration, which has been accompanied by the work of explorers and missionaries. Many of them lost their lives in the various regions of Ethiopia, either at the hands of the natives or as a result of the hardships and privations they suffered. It is thus exactly fifty-three years since Italy first set foot on the Red Sea coast, participating in the Europeanization of the African Continent and obeying a legitimate law of expansion—the same law that has been obeyed and is still obeyed by other States and above all by England, who has conquered such a large part of Africa. One may not, therefore, speak of improvisation.

In these fifty-three years the relations of Italy with the Ethiopian chiefs have had a long and often bloody history, which has abundantly proved that Ethiopia, through the fault either of its central government or of its local chieftains, has uninterruptedly refused to cooperate with Italy.

Seven years after the assertion of Italian political sovereignty along the Red Sea, a treaty of cooperation was concluded. It resulted from lengthy negotiations with Menelik, the chieftain who, after a fierce internal struggle, had succeeded in asserting his predominance over the other "Ras." This treaty officially recognized Italy's position, for it entrusted to Italy the diplomatic representation of Ethiopia in its relations with all other States. Menelik, who owed his position and power largely to Italian aid and had concluded the Treaty of Uccialli in 1889 whereby he recognized the protective collaboration of Italy, soon began to rebel against this legitimate and just subordination.

It would be too long to go here in detail into the successive phases of

*This article is a statement by a representative Italian of his country's case against Ethiopia. The author, a member of the Italian Senate, is editor of the *Tribuna* of Rome and one of Italy's foremost political writers.



The plateau (shaded area) and provinces of Ethiopia

this hostile resistance, which followed Menelik's supplications for friendship and help when he was still struggling for the throne. What it is important to emphasize is that the military operations that preceded and followed the conclusion of the Treaty of Uccialli were hard and bloody and that Italy sacrificed in them the lives of her soldiers, who fell in thousands where the pioneers had fallen singly. The battle of Adowa in March, 1896—an ill-fated battle, in which 15,000 Italians fought valiantly against 100,000 Ethiopians—was the principal episode of the period that came to an end with the present configuration of the territory of Eritrea.

The second Italian colony, Somaliland, on the Indian Ocean, also had its origins over fifty years ago—in 1883. There also pioneers and soldiers in great numbers sacrificed their lives to enlarge it, to develop it, to give it the greatest possibilities of work and production, which presuppose order and tranquillity.

Eritrea, which has an area of 45,500 square miles and a population of 622,000 inhabitants, and Italian Somaliland, with an area of 190,000 square miles and a population of 983,000 inhabitants, both have very long common frontiers with Ethiopia, which have not been precisely delimited on the ground. It is necessary, therefore,

that the relations with Ethiopia be those of good neighborliness.

When Fascist Italy had to consider the situation of her two East African colonies, at the time when she was proceeding to organize her two Libyan colonies in Mediterranean Africa on a stable and final footing, Mussolini remained faithful to his intention of working in close and cordial cooperation with Ethiopia. When the present Negus Haile Selassie was only the Regent Ras Taffari and needed the good-will of his neighbors to impose his authority on the other chieftains —he had dispossessed and imprisoned Lij Yasu, who had been designated as heir to the throne by Menelik—Fascist Italy, in 1924, welcomed him with favor. There is no doubt that Italy's sympathetic attitude helped the Negus to attain his ends, as it had years before helped Menelik. When the Regent Ras Taffari became the Negus Haile Selassie, an Italian mission headed by the Duke of the Abruzzi was present at his coronation. And in 1928 a treaty of friendship and collaboration was concluded between Italy and Ethiopia, which the new sovereign declared he wished to modernize.

Not only was the treaty of 1928, which provided for effective cooperation in works useful and indeed necessary to Ethiopia, soon thrown into the discard despite Italy's desire to carry it out faithfully, but it became apparent that the Negus wished to take advantage of it only for the purpose of arming his country in a more modern fashion and with evidently anti-Italian aims.

Ethiopia has no outlet to the sea, and a single railroad links its capital, Addis Ababa, with Jibuti, the port of the small possession of French Somaliland. The coastline of Eritrea and Italian Somaliland is in Italian hands, and between the two there are only the short coastline of French Somaliland and the longer one of British Somaliland. Ethiopian nationalism has made it its principal aim to conquer an outlet to the sea through one of the two Italian colonies and made a start toward realizing this plan by exerting all its pressure on Italian Somaliland.

In reality, the new Negus did not depart from the political objectives of his predecessors; indeed, he sought to follow them faithfully behind the convenient screen of the treaty of cooperation of 1928, which, according to Italy, should instead have represented a basis for peaceful and productive relations.

It will be sufficient to mention summarily a few facts.

Already in 1912, as has been declared by the Italian Government in the Senate during the discussion of the colonial budget, a lively campaign had broken out in Addis Ababa against Italy. The fomenters of the campaign emphasized the splendid opportunity offered by Italy's Libyan war to attack Eritrea. In March and April, 1914, the Negus Woldo Giorghis with a body of troops estimated at over 50,000 men entered the Tigré and marched on the frontier. The Negus knew very well that the colony was almost completely unprotected because several battalions had been sent to Libya. It was necessary to recall the Eritrean battalion from Libya by telegraph; troops and war materials had to be dispatched from Italy, and a grave economic crisis had to be faced as a consequence of the sudden threat of war.

Again, in February, 1915, the Negus Mikael prepared another plan of attack against Eritrea with three bodies

of troops aggregating 150,000 men. His military campaign was preceded by an intense political propaganda among the native population of the Italian colony. In 1920, the Mullah, who had rebelled against Italy and the British, was welcomed on Ethiopian territory near the frontier of Italian Somaliland, and this again obliged Italy to take military measures. In 1922, the expedition of the Fitaurari Aialeu claimed the right to exact tribute by armed force, by means of his troops, from all families of Ethiopian origin that found themselves in the centres of colonization on Italian territory. In 1923, the expedition of the Dejazmach Waké and Woldo Selassie was organized, with the usual threats and military measures.

In 1925-26 there followed the dispatch of Ethiopian arms and munitions to the rebels of the Mijjertein during the Italian operations for the occupation of Northern Somaliland and the rebel chiefs were later granted pensions and land by Ethiopia. Finally, in 1931, the Dejazmach Gabre Merrian organized an expedition, threatening a sudden attack against the frontier of Italian Somaliland on the Shibeli and, in 1934, the situation culminated in the violent and bloody encounter at Walwal.

It must be borne in mind that the attack against the Italian garrison at Walwal, which followed an intimation to the commander of the post to withdraw (because, according to an arbitrary Ethiopian assertion, Walwal does not belong to Somaliland), was carried out by a group of armed men who had reached the frontier in the company of a mixed Anglo-Ethiopian commission charged with the delimitation of the frontier of British Somaliland. The British representative on the commission, Lieut. Col. Clifford, not only was present at the attack, even if at a distance, but he had already clearly shown himself to be favorable to the unwarranted and unacceptable demand that the Italian troops should abandon a contested territory. Nobody can claim that the conduct of Lieut. Col. Clifford, in this typical episode, was disinterested and would bear inquiring into more closely.

From all the foregoing it may be concluded:

1. Italian penetration in East Africa has over half a century of political, military and commercial history. It is therefore not at all improvised but represents a vast, essential problem, the solution of which cannot be further postponed.

2. Italy in 1889, as in 1928 by Mussolini's initiative, attempted to carry out a policy with Ethiopia of good neighborliness and of direct cooperation, from which Ethiopia would have derived very great benefits.

3. Ethiopia, on the contrary, has proved and is proving by a multitude of undeniable facts that she wishes to pursue and develop a policy of open antagonism to Italy. This policy culminated in the episode of Walwal, which is not an isolated event, but can be considered as the alarm signal that revealed a situation fundamentally hostile to the two Italian colonies in East Africa.

Italy has the right and the duty to face and solve this situation, after half a century of bloody experience, as she cannot admit that she is to allow Ethiopia to have her own way in aggravating matters.

Mussolini's decision to take the Ethiopian problem in hand is perfectly justified and timely. His method of dealing with it was designed to restrict the controversy to the Afri-

can and colonial field, framing it in the great historical phase of the Europeanization of Africa. To oppose Italy it is necessary to deny the formidable fact of the conquest of Africa in which England played the part of the protagonist. The British Labor spokesmen, who accuse Italy of imperialism and would start a pacifist crusade that would find expression in acts of war, do not at all feel it their duty to dismember the British Empire. They hold their empire tight, while they would prohibit others from participating in that European expansion which has left its mark on a whole century of colonial enterprise. Indeed, not only do they hold it tight, but they do not disdain to make use of it for their own ends, as when they clamor for the closing of the Suez Canal and the Straits of Gibraltar, when, in other words, they demand that a position that is imperial, and exclusively imperial, should be used against Italy and therefore against all nations, because what is done today against Italy can be done tomorrow against another power.

It has been said that Ethiopia is an independent State, worthy of living on as the last surviving native State in the whole of Africa. This statement is false and willfully misleading. Ethiopia is not a State, but the negation of a State, because it is a feudal, slave-trafficking and slave-owning composition, possessing not even the slightest element that constitutes a State. Ethiopia is not even a national agglomeration. It is the result of successive conquests, almost all of them recent and made to maintain the absolute predominance of the conqueror.

Ethiopia comprises only four regions—the Tigré, the Amhara, the Gojjam and the Shoa. The other regions—Wallega, Jimma, Kafa, Sidamo, Boran, Bale, Arussi, Harrar and Ogaden—have been acquired by violent conquest, for the purpose of enslaving tributary populations. In a territory of 430,000 square miles there lives a population estimated at 6,000,000. One must doubt the accuracy of the larger figures sometimes quoted, no census being possible in a country that keeps no records of births and deaths. These 6,000,000 inhabitants belong to different races, among which the Ethiopians are not a majority, for they are estimated at 2,200,000, as against 2,500,000 Galla, 550,000 Sidama, 350,000 Somalis, 50,000 Dankalis and 350,000 Negroes and negroids. There is no common language, for six principal languages exist — Tigrean, Amharic, Orreno, Somali, Sidama and Ofar — none of which has any literary value, and a number of lesser dialects. Nor is there any religious unity, for there are 2,750,000 Christian Copts, 2,900,000 Mohammedans, only 11,000 Catholics and 325,000 pagans.

As for the relations between the Ethiopian conquerors and the subject populations, a few facts made public in a debate in the Italian Senate have shown that they are destructive. Ethiopian domination is a cruel domination.

The Kafa, an independent kingdom and one of the most fertile countries in East Africa, has a population that Cardinal Massaja, a profound expert of that region, estimated at 1,500,000. In 1897 the Ethiopians conquered this kingdom and began the most ferocious devastation of men and property. Today, after forty years of a régime of slavery, the population does not exceed 20,000, according to the estimates of European travelers.

The Jimira, to the west of the Kafa, was another small State that

recognized the sovereignty of the King of the Kafa. In 1912 the Swiss traveler George Montandon was able to ascertain on the spot that the population of the Jimira had decreased in fifteen years from 100,000 to only 20,000.

The tribes of Ciara and Nano, which Bottego had met in 1895 to the south of the Kafa and on the banks of the Omo, may be said to exist no longer, having been exterminated by the raids of the slavers. Only five years ago, a few surviving Nao were still offered on Ethiopian markets as a rarity. They were divided into two species, the "Red Nao" and the "Black Nao," according to the more or less dark color of their skins, and they fetched an average price of 80 or 90 Maria Theresa thalers.

The Burgi, inhabiting the mountain range to the east of Lake Queen Margherita, were estimated in 1895 by Bottego to number about 200,000. Nowadays, being much sought after in the slave markets because they are strong and skilled agriculturists, the Burgi who have escaped slavery and remained in their country do not number more than 15,000, according to the report made three years ago by an Italian traveler.

Bottego, Ruspoli and James mention the presence in the upper valley of the Shibeli of large villages of Imi, a population speaking the Somali language. The villages were inhabited by vast numbers of prosperous agriculturists, who offered the explorers hospitality and food. In 1928 the Duke of the Abruzzi, in his memorable exploration of the Webbe Shibeli, noted that not a single Imi village was in existence and that the whole land was completely deserted.

Ethiopia, finally, has not even dynastic continuity. Each Negus ascends the throne only by means of bloody fights, of intrigue and ambush, of the imprisonment and violent death of his rivals. A Negus cannot therefore stabilize his power even in his own person, because when he becomes Emperor he carries with him the taint of violence, which brings into operation the law of an eye for an eye, a tooth for a tooth.

Ethiopia therefore remains entirely true to African type, which is an inferior type, and cannot lay claim to an ancient, even if now no longer existing, civilization, such as that of which Egypt boasts.

Ethiopia was, nevertheless, admitted to the League of Nations. She was admitted on condition that she would reach a certain level as a State and abolish slavery. These conditions have not been fulfilled, and they cannot be fulfilled. Ethiopia will never be worthy of comparison with any State of Western civilization. The error that was committed when she was accepted by the League must not be aggravated by making her the State by which the effectiveness of the League of Nations' guarantees are to be tested. The League of Nations, which has not the power to undertake any action requiring a show of strength and which has not intervened on numerous other occasions, must not be asked to exert its authority for the first time on behalf of Ethiopia of all countries—a country organically devoid of all the qualities necessary for membership.

On the other side exists the clear, incontrovertible right of Italy to colonial expansion. Italy has a territory of 135,000 square miles with a population of 43,000,000 inhabitants. More than 10,000,000 Italians, scattered in all the countries of the world, bear proof to how vigorous is the expan-

sion of their race. The Italian population increases at the rate of 450,000 a year. But that is not all. The Italian, as can be seen in all countries where Italian communities live and work, is a born colonizer. He is sober, industrious, hard-working, thrifty, prolific, and he prospers in all climates. He is at once soldier, agriculturist artisan, mechanic. Wherever he goes, he takes root and works. These qualities, which are the qualities necessary to carry on civilization in the colonies, do not exist in any country that is not in possession of a vast colonial empire.

Something of this is known to England, who no longer succeeds in making her sons venture forth into the world, who cannot induce her millions of unemployed to leave her shores and who no longer has the strength or the capacity to make them return to the land, which is largely uncultivated.

Italy must expand because she can expand. Her road must not be crossed by other countries, certainly not by that country which has taken possession of all the continents and of all the roads of the world.

Moreover, Italy, a country of agriculturists and seafarers, a mountainous and maritime country, is bathed by three seas. But these three seas are comprised in the Mediterranean, the gates of which are controlled by England. Italy is in a different position from France and Spain, for she has no coast opening on the ocean; she does not breathe the sea through two perfectly independent lungs, like the Atlantic and the Mediterranean. She therefore urgently requires land on the great routes of world communication.

To obtain what she needs, Italy does not covet the possessions of others; she merely asks that the others shall not act in such a way as to make her understand that she is to be kept a prisoner in the Mediterranean forever. Italy asks only to be allowed to breathe in the world. She is ready to open up her own path for herself, trusting only in her own strength, in the land toward which her necessities are driving her, in the land toward which she first made her way nearly seventy years ago.

ROME, Aug. 29, 1935.

Roosevelt Moves Forward

By DELBERT CLARK*

IN the nerve-racking Summer of 1933, when the lieutenants of the New Deal were pressing desperately forward, not daring to pause lest they be frightened at the uncharted vista, President Roosevelt remarked to a group of Brain Trusters: "You young fellows don't know how lucky you are. You are living in one of the most interesting times in all history."

Two and a half years have elapsed since Franklin D. Roosevelt became President, and he is still "living in one of the most interesting times in all history." Doubtless when he made that remark he was not thinking in terms of himself as a maker of history, but it is indeed true that the history of America from March 4, 1933, to the present moment has been the history of Franklin D. Roosevelt. What has been accomplished under the New Deal has been essentially his accomplishment, what of failure has been his failure.

From that dramatic day when he flew to Chicago, shattering precedent to accept the nomination on the spot, he has been his own boss. He has gambled mightily, but with schoolboy enthusiasm, with fate; he has compromised, vacillated, given and taken, traded horses. But always he has made his own decisions and kept his own hand on the helm. Not for nothing do his younger and more worshiping aides dub him "The Skipper." If he ushers us into that "more abundant life" he has promised, he alone deserves the credit. If he takes us down to national ruin, he deserves the blame. It has been, and continues to be, his show.

One qualification, of course, must be borne in mind. Adept as he is, Mr. Roosevelt cannot control natural forces. If recovery was to come about this time anyhow, neither he nor the Republicans deserve all the credit; if our system was so outmoded that we were due for collapse in spite of all our efforts, a share of blame is due not only at the door of the White House. Unrestrained natural forces were in virtually full operation when Mr. Roosevelt became President. He was face to face with a struggle before which his predecessor had quailed, before which many stronger men would have quailed.

Mr. Roosevelt took office with a clean slate. Not long before, Mr. Hoover and Ogden Mills, the Secretary of the Treasury, had pleaded with him to join in a proclamation closing all banks and placing an embargo on gold. He steadfastly refused, on the perfectly valid ground that he could not accept executive responsibility before he assumed executive authority. And it was evidence to many of his good faith that his first act as President was to issue in his own name the very proclamation which had been prepared for Mr. Hoover by Secretary Mills and which Mr. Hoover had not dared to issue on his own responsibility.

It is not unfair to Mr. Roosevelt to say that up to the time of his nomina-

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tion he probably had only very general ideas of what he wanted to do when he became President. He was entering upon his duties in a time of tremendous stress and bewildering flux, and his earlier training, even as Governor of New York, hardly equipped him with a set of formulas for the task ahead. But he soon realized that such a set of formulas must be ready before March 4.

To that end the Brain Trust was formed and began its sessions, mapping out a campaign along economic lines and a broad course of action to be put into effect afterward. Mr. Roosevelt learned much in those eight months, probably more than since he has been President. His social philosophy has coalesced, surely, from the somewhat inchoate mass of good intentions of three years or so ago, but it is the same philosophy. He did his changing and developing between nomination and inauguration.

In spite of his intensive consultation with the Brain Trust and the feverish planning that took place, his speaking campaign was noteworthy for the astonishing dearth of specific promises and for the plenitude of broad generalizations which it brought forth. It was charged that the reason was that he did not know what he wanted. It is more probable that he did not desire, in a rapidly changing situation, to announce details too far in advance.

It is also true that, while he had broad plans, he had indeed left many details to be worked out in the heat of the moment. This was his way, and it was to be one of the most significant features of his administration that a specific course of action should be devised to support a theory, and that the actual construction of a piece of legislation was likely to be considered so much trimming. So details were held in abeyance until Mr. Roosevelt and his Cabinet and his Brain Trust bore down on Washington.

It was at this point, lost in the general confusion, that the new President made his first major error, one for which he paid many times over. That was when he installed two leading members of the Brain Trust as high executive officials in his government—Raymond Moley as Assistant Secretary of State and Rexford G. Tugwell as Assistant Secretary of Agriculture. Without considering the capacity of these two scholars for the positions given them—and that swiftly became a matter of intense controversy—Mr. Roosevelt, by bestowing upon them sub-Cabinet rank, brought to immediate focus the essential hostility always present whenever non-political planners are juxtaposed with politically trained administrators and legislators. Further, he elevated to executive responsibility men whose most valuable function was advising and planning behind the scenes; he placed cartographers in charge of combat divisions.

The disrepute into which the Brain Trust, though brilliantly conceived, immediately fell was due in great measure to this attempt to combine the functions of planner and executive. Undoubtedly there was no thought given to the possible consequences at the time. Both men were highly valued. Both were to be kept close at hand, and salaries were presumably necessary to this end. What more natural than to install them in the "little Cabinet"? But, motives aside, these two came to symbolize the Brain Trust, the professor in action. Soon there was painful friction and the discrediting of a group which, properly sequestered, could have been extremely valuable.

That Mr. Roosevelt eventually became aware of his mistake is evidenced by the fact that while he still has a very active and very powerful Brain Trust not one of its members is in a position where he is constantly in the public eye, and very few have strictly executive jobs at all.

Despite the essential error of catapulting academic advisers into the field of action, Mr. Roosevelt in the three months after his inauguration found in this young, enthusiastic coterie all he had hoped to find. It gave him the backlog of enthusiasm he needed in a time when the order was action, action and more action. It gave him a vast fund of technical information upon which to draw, and a variety of academically expert opinions to compare as he charted his course into an unknown sea.

Seldom had the nation witnessed such a brilliant display of sheer audacity, seldom had there been so spectacular an adaptation of the military technique to governmental procedure, as in the famous "Hundred Days." A dazed Congress, without a plan of its own, found itself suddenly subjected to a carefully timed barrage of bills designed to liquidate the immediate emergency and lay the groundwork for a new social and economic order. Unlike the unfortunate bungling of two years later, there was no haphazard shoveling in of a mass of highly important proposals to swamp a weary Legislature. Instead, there was a steady fire of individual proposals, carefully spaced to avoid confusion, each message followed immediately by the text of a bill to implement it. There was no attempt to conceal the fact that Congress was not initiating legislation but merely enacting it to order. This assumption of legislative powers by the Executive, virtually unquestioned at the time, was later condoned on the ground that speed was of the essence, and that it mattered little who wrote the bills so long as the country was saved.

This same process, somewhat diffused and to a more limited degree, was followed again in 1934, though modified late in the session in the face of a heavy fire of criticism after the worst of the crisis had passed. By 1935 the President, outwardly and in most cases actually, had returned to the Legislature a semblance of its prerogatives. In a pre-election year it was impossible longer to ignore the cries of "usurpation" and "dictatorship" which came from the conservative Democrats as well as from the Republicans. But for the extraordinary session of 1933 there was but one course possible, and that was strong, swift, courageous action. Mr. Roosevelt may never again reach the apex of executive brilliance he attained in those few months; certainly he would be among the first to hope the occasion may never again arise.

The period of intense administrative activity that followed was not characterized by such smooth sailing. There were outbursts of pettiness, cavalry charges uphill and down the other side by General Johnson, magnificent gestures and feeble results. Not all feeble, but enough to make it clear that the President might be a king but he was no god. Roosevelt sat in the White House and planned, while Johnson scoured the country blaspheming the enemy, refusing to be harnessed. The period served, too, to bring out the many flaws in the hasty emergency laws that were railroaded in the Hundred Days.

In all these early laws, as in some later ones, there was evident a cavalier disregard of constitutional inhi-

bitions, bred partly of the emergency and partly, it now appears, by a deliberate desire to test that honored but somewhat muscle-bound instrument. It is a matter of common understanding that President Roosevelt and his counselors had few illusions about Title I of the National Industrial Recovery Act at the time it was introduced, and that Donald R. Richberg, general counsel of NRA, evaded court tests of the law as long as he was able on the theory that given enough time it would so embed itself in the national life that it could not expediently be overthrown.

As for the other laws of the Hundred Days, there was more room for honest doubt as to the interpretation the courts would place upon them, but the question of constitutionality kept coming up. Had this been true only of those emergency acts, it could have been attributed to Mr. Roosevelt's patriotic desire to save the day, and to that alone, but when the tendency to cut the corners carried over into 1934 and 1935 there could be no question of his purpose to stretch what he termed "our elastic Constitution" as far as it would stretch, always hoping that if it snapped back the impact would not be too painful.

In all fairness, Mr. Roosevelt had no ulterior motives, other than a desire to complete a program at all odds. It could be asked: "What is the Constitution? Is it that rosary of classic phrases which are subject to so wide a range of interpretation that John Marshall found it desirable to establish the Supreme Court as official and final interpreter? Or is it the varying interpretations placed upon it by a succession of men who have become Supreme Court justices? And what will be the Supreme Court's interpretation of it in any given instance?" These questions could well be propounded in defense of Mr. Roosevelt's course up to May, 1935.

But from the date of the overthrow of the NRA by the Supreme Court on the basis of an academic interpretation of the commerce clause of the Constitution a fixed purpose was apparent to force the issue eventually to a crisis. If the Constitution was to be narrowly interpreted, then perhaps it was time to alter that document to fit changing national circumstances. That Mr. Roosevelt had arrived at this conclusion he made known in his famous "horse and buggy" address to the newspaper correspondents soon after the Schechter decision, when he described the import of the decision in relation to laws designed to affect all the people regardless of State lines. That he held fast to his purpose was shown with equal force when he exhorted a Congressional committee to approve a "little NRA" for the bituminous coal industry regardless of honest doubts as to the constitutionality of the bill. That he purposed to employ the issue later when the time was ripe was read into two of his utterances on Aug. 24, 1935, when he told the Young Democrats over the radio that rules were not necessarily sacred, and almost simultaneously requested Senate and House committees to work out a substitute for the NRA.

As Mr. Roosevelt began to move out of the morass of 1933, he began to find opposition arising, not only from the Republican ranks but also from the conservative wing of his own party. That he must have anticipated this surely cannot be doubted. The result of this return to a more nearly normal partisan functioning, which began to be apparent in the 1934 session of Congress, gained momentum through the remainder of that year

and became really formidable in 1935, was to bring out the other side of the man. Roosevelt the Happy Warrior, who could view with a fatalistic grin whatever Colossus bestrode his path, was not and probably never will be lost, but Roosevelt the horse trader, the smart compromiser who could pull a long face and his adversary's leg at the same time, who could concede a minor point to win the major part of his objective, became more and more the man those close to him saw.

It would be difficult to make an accurate list of the legislative defeats he has suffered, because there was seldom any real certainty that he had been defeated. His two outstanding defeats were in the field of foreign relations, but at home there was always a question as to whether he had not, after all, achieved most of what he sought. One prominent exception was the destruction piecemeal of the Economy Act, partly at least through a succession of compromises on his part.

With the emergence of this phase appeared also Roosevelt the Fixer, the man who could find more ingenious solutions to "insoluble" problems than would have appeared possible. When George Peek became involved in an ugly fight within the Agricultural Adjustment Administration, and was on the verge of revolt, Mr. Roosevelt created a new job for him, with a high-sounding title and a couple of bank presidencies thrown in. When the administration of the Virgin Islands became a national stench, the Skipper moved one of the belligerents into a sinecure in Washington, and cold-bloodedly dismissed an expert penologist from the Federal Parole Board to make room for the other, a Mississippi judge with political influence. When Secretary Ickes and Housing Administrator Moffett aired their mutual dislike in the public prints, he became hard-boiled and by long-distance telephone dictated a joint statement for them to issue which meant nothing but which put an end to an obscene public row.

It soon became apparent that from Mr. Roosevelt down this was an administration of opportunists. The President surrounded himself with opportunists, men who could work out ingenious schemes to fit his theses. Those who said that the President was "all right," but they did not like his advisers, failed to realize that he had personally selected those advisers and must be held accountable, beyond a certain point, for their official acts.

In years to come the memory of the undeniable personal charm, the recollection of the facile brilliance of intellect, the amazing buoyancy, the conquest over appalling difficulties, will remain. So will the record of essentially high motives, the desire to do good to his fellow-citizens, the many sound reforms instituted under the lash of the depression and the inspiration of a born leader.

Forgotten, except by those with long memories or a penchant for disillusioning research, will be the grinding friction that arose all too frequently from the clash of personalities in his ill-assorted official family; the terrible errors in judgment and administrative blunders on the part of mediocre assistants; the textbook technique of all too many in administrative posts who seemed to see their jobs as so many chess games and to forget human values. All these must, in some measure at least, be laid at the President's own door. They will sum up, to a large extent, into an unfortunate choice of deputies or, it may be, to a

tragic dearth of the sort of mobile intelligence and leadership necessary in a period of national transition.

It has been said and will be said of Mr. Roosevelt that he deliberately left out of consideration, in choosing his assistants and advisers, such national figures as Alfred E. Smith, John W. Davis, Owen D. Young, Newton D. Baker and Albert C. Ritchie. Yet not one of these men would have agreed with the Rooseveltian plans for a revised economy and a remodeled society. With all their capabilities, they would have been useless and unhappy in this administration so long as it followed the course that had been charted for it, and there appears no likelihood of change. The President was, in fact, driven to a choice from among the relatively obscure but intellectually more facile younger generation, and if there was a shortage of sound judgment there it was his misfortune. Not that he drew entirely from this class. Men like Homer S. Cummings do not seem to fit in this category, nor does Daniel C. Roper, whose presence in the Cabinet no one yet has been able to explain.

It is paradoxes of this sort that make it an almost hopeless task to essay a judicial appraisal of that brilliant bundle of paradoxes, Franklin D. Roosevelt. He has estranged radicals, whose early hope he was, and conservatives, whose support he would not scorn. He has been the despair of uncommitted observers who are essentially sympathetic and would like to see him succeed. As one said: "I favor nearly all the objectives of this administration, but I profoundly distrust its methods."

It is the opportunist note, more than any of his ideas or public acts, that has caused this partial estrangement. Reflections have been cast on his sincerity; men have been led to believe one thing would happen and then have found the reverse to be the case. The desire to keep everybody satisfied for the moment, to avoid inconvenient friction in working out his plans, has led him on occasion to resort to certain extreme subtleties which have not endeared him to the victims. Again, many of these acts have been attributed to his assistants, but did not Mr. Roosevelt choose these assistants and endorse their public acts?

In spite of this scattering loss of faith, in spite of compromises, vacillations and occasional exhibitions of faint-heartedness, the President has attained, in one form or another, a large part of his ramified program for social and economic reconstruction, a program which attempts a delicate balance between capitalism and socialism. He has not always been particular about the ultimate form of the law, so long as it got safely on the statute books, but he has got his laws. The Supreme Court may nullify some more of them, and thereby hasten the ultimate issue of constitutional change, but they have been enacted, and Mr. Roosevelt is probably unique among Presidents in the amount of really revolutionary legislation he has had written into law in less than three years.

And his slogan is still "Forward—damn the torpedoes!" Congress goes home fretful and rebellious, with rumors of electoral disaffection in its ears. The Supreme Court girds itself for another joust with the New Deal. That other and greater tribunal, the President's own constituency, is already pondering the judgment it will pass in a little over a year. Mr. Roosevelt faces it with a gay smile: "Forward—damn the torpedoes!"

Nazi Economics at Work

By PAUL EINZIG*

EVER since the advent of the Hitler régime the situation and prospects of Germany have provided an inexhaustible topic of discussion and controversy. Is the régime likely to last? What will be the result of the outcome of the struggle between its conservative and radical supporters? Will Germany's foreign policy lead to another European war? Though these questions are essentially political, they cannot be answered adequately without full consideration of the economic background.

National Socialism in Germany stands or falls with the success or failure of the efforts to improve economic conditions. Chancellor Hitler attained power as a result of the deflationary crisis, and in the long run he can remain the ruler of Germany only if he can bring about recovery. The answer to the questions whether in domestic politics Germany will move to the Left or to the Right, and which side will prevail as between industrialists and bankers and other conservative elements on the one hand, and Nazi extremists on the other, largely depends upon economic considerations. Even the question of war and peace is to some extent connected with the economic evolution of National Socialist Germany.

The economic aspects of National Socialism are as highly controversial as its political aspects. Has there been an economic recovery in Germany since 1933 and if so what have been its main causes? To what extent has Germany departed from laissez-faire capitalism? Is Germany heading toward an economic collapse? These and many other questions call for an answer in order to form judgment about the prospects of the new régime in Germany.

Economic recovery in Germany since the beginning of 1933 has undoubtedly gone further than in any other country. According to official statistics the number of unemployed has declined from about 6,000,000 to well under 2,000,000. Even if official figures received from present-day Germany should be taken with a grain of salt, the extent of trade revival has been spectacular. There is every evidence of increased industrial activity; in addition to the employment provided by public works and rearmament, business is stimulated also by the increased demand for goods by consumers. The banks have liquidated by far the greater part of the frozen credits inherited from the crisis of 1931. The government's expenditure on unemployment support has declined sharply, while taxation revenue has increased.

To some extent the improvement has been due to the world-wide recovery initiated by the suspension of the gold standard in the United States. All countries over the five continents have shared in this recovery with the exception of those which insisted upon

*This account of recent economic changes in Germany is written by the foreign editor of the London *Financial News* and of the *Banker*. He is author of the recently published historical survey entitled *World Finance, 1914-1935* (New York: Macmillan).

continuing a self-torturing deflationary policy. Germany was not among them, and therefore she took her share in the benefit from the upward turn in the world trend. But this in itself accounts for only a fraction of her improvement. For the most part, it has been due to the unscrupulous and unorthodox economic and financial policy of the Hitler régime.

Nazi economic policy was unscrupulous because it brought about recovery at the expense of Germany's foreign creditors. It was unorthodox because to a high degree it violated the principles of laissez-faire and those of "sound" finance. Indeed, apart from Soviet Russia, there is no other country in which laissez-faire has been discarded so thoroughly as in Germany. Although Italy served as a model, the pupil in this case surpassed the teacher.

Public works schemes and rearmament on a large scale have been largely responsible for Germany's economic recovery. In the absence of reliable figures, extraordinary expenditures of this kind in Germany and in the United States cannot be compared, but it ought to be borne in mind that Germany launched her ambitious public works schemes when her gold reserve was practically exhausted and when the financial resources of her investors, already depleted by the inflation of 1923, were heavily reduced by the crisis of 1931. The United States and other countries which embarked upon public works schemes have been spending what they have possessed. Germany, on the other hand, has been spending non-existent billions. This fact in itself would justify placing Germany in the front rank of capitalist countries pursuing an unorthodox policy.

The National Socialist régime, however, went much further with its highly unorthodox economics. Employment was created not only by means of public works and rearmament but also by much more artificial means. During 1933 industrial employers were simply called upon to re-engage a certain number of workmen. Whether or not they could be kept occupied, they had to be put on the payroll. Protests and complaints were of no avail. To encourage this artificial re-employment of additional workmen, manufacturers were ordered to use less efficient machinery requiring more help. Such a degree of interference with private business is entirely without precedent in a modern capitalist State. To find a precedent one has to go back to the guild system of the Middle Ages.

Most people were convinced that such an additional burden on industry would prove ruinous. Actually, it stimulated business, for the payment of the additional wages created additional purchasing power. If only a single employer had been compelled to engage a thousand workmen he did not want he would doubtless have been ruined, for he would have had to bear the full burden of the wages of a thousand unnecessary hands, while he would have benefited by their additional purchasing power only to an infinitesimal extent. But as a very large number of employers were forced to provide work for more men, in the end they obtained a fair share in the total increase of purchasing power. Highly artificial as was the revival of employment in the beginning, there was no longer any need by 1934 to resort to such arbitrary measures in order to reduce the number of the idle. Manufacturers were permitted to discard the less efficient machinery they were compelled to introduce and were no longer called upon to employ workmen they did not want.

In the meantime, the billions of marks spent on public works and rearmament went round and round in the circle of trade. Manufacturers and merchants were enabled to repay their frozen credits to the banks, and the banks were able to redeem their frozen bills from the Reichsbank and other institutions created for the purpose of carrying the crisis bills. Both government banks and commercial banks were thus placed in a position to finance the public works. Treasury bills had gradually taken the place of frozen commercial bills. The financing of public works and rearmament went on, therefore, without a hitch. There was no need to resort to crude measures of currency inflation in order to cover the huge deficit of the Reich.

Dr. Schacht, president of the Reichsbank and Minister of National Economy, in his speech at Koenigsberg on Aug. 18 stated that Germany had been able to finance her public works because she was an authoritarian State, whereas under a parliamentary system it would have been impossible to carry out that task. There is much truth in this remark. Germany's budgetary deficit is probably much larger than that of France, but nothing is said about it in the German press or in public speeches. In France whenever Parliament discusses the budgetary deficit there is bound to be a Cabinet crisis and a financial panic. But even if the German deficit is not discussed in public, that does not mean that the problem does not exist. After all, even dictators are subject to the rules of arithmetic.

If the German Treasury requires additional funds, the resources of banks, savings banks, insurance companies and other financial institutions are simply commandeered. This is what happened in January, 1935, when the savings banks were called upon to take over a loan of 500,000,000 reichsmarks. Subsequently the insurance companies were ordered to take over a similar amount. Admittedly, the resources of these institutions are by no means inexhaustible. But as the money is spent immediately, it returns in the ordinary course to the source from which it was borrowed. This was actually the result in the case of the savings banks, whose deposits have increased since the beginning of 1935 by rather more than the 500,000,000 reichsmarks borrowed by the government. In fact, in August the Treasury was able to repeat the operation and ordered the savings banks to take over another 500,000,000 reichsmarks.

In consequence of the unorthodox policy adopted, a trade revival was initiated which apparently continues to feed itself. The question is, can it go on indefinitely? Is there no likelihood of a break in this vicious circle? The whole improvement appears to be quite unnatural to those brought up on the teachings of conventional nineteenth-century economics. Ever since the first signs of recovery in Germany became noticeable, gloomy prophecies have not been lacking in other countries as to the inevitability of collapse. But there was no exact definition of what was meant by "collapse."

If all that the prophets referred to was that Germany would default on her foreign debt, they have been amply justified by events. But default on foreign debts, deplorable as it is in the eyes of creditors, is not in itself collapse. If the prophets meant by collapse a depreciation of the reichsmark, events have not quite justified their pessimism. The reichsmark is still at its old parity, and from time to time it appreciates to such an extent as to cause an influx of gold from France

and Holland. It is true that there are registered marks, credit marks, security marks and other kinds of blocked marks which are at a heavy discount, but, from the point of view of the majority of the German public, the rate at which these blocked marks are quoted is of no great importance. If the pessimists who predicted the doom of Germany meant an internal collapse, then they were utterly wrong.

Much as we may dislike admitting it, economic conditions under the Hitler régime have continued to improve. Minor relapses and seasonal fluctuations apart, the trend of trade in Germany has been consistently on the upward grade ever since the beginning of 1933.

Even the anticipations of the supporters of the National Socialist régime have been outdone by the extent of the recovery. Some of them, brought up in the old school, viewed the unorthodox economic policy with profound distrust. Dr. Schacht himself was decidedly against the lavish expenditure on public works and rearmament. The story goes that when his protest against unsound finance was of no avail and he threatened to resign, Chancellor Hitler told him that the alternative to the presidency of the Reichsbank was the concentration camp. Thereupon Dr. Schacht had to accept a policy of which he disapproved, but which he has carried out with absolute loyalty and with remarkable efficiency. Curiously enough, both in Germany and Italy, where Dr. Alberto Beneduce holds the key position in the execution of Fascist economic policy, the economic affairs of the régime are handled by experts who do not believe in the policy which they have to put into operation, and who nevertheless make a success of their task.

Not without reason were Dr. Schacht and other orthodox experts doubtful about the success of the National Socialist economic policy. There was a danger of its collapse as a result of the international repercussions of the internal recovery. Indeed, those in responsible positions in Germany had some very anxious months toward the end of 1934. The internal boomlet tended to raise domestic prices, and this unfavorably affected Germany's capacity to export. At the same time, raw material imports had to be increased owing to the larger requirements of home industries. The result was an adverse trade balance. Germany thus ceased to be able to pay her foreign debts.

When Germany ruthlessly sacrificed her foreign creditors for the sake of the internal recovery, she was no longer able to buy goods abroad on a credit basis. During the second half of 1934 it became increasingly difficult to get the raw materials required by German industries, and fears of a shortage led to hasty purchases by consumers of goods of every kind. While this stimulated the trade revival, it also accentuated the rising tendency of the price level. Owing to the unfavorable effects of this development upon German exports, there was a danger that the recovery might come to an abrupt end because of the shortage of raw materials. In fact, a number of factories had to reduce their activities owing to the inadequate supply of raw materials. This would have led to a relapse, but the government intervened once more, forbidding the industrialists to dismiss any workmen on the ground of raw material shortage.

The German authorities took indeed drastic measures to that end. The whole import trade was brought under government control so as to prevent the waste of foreign exchange resources upon unnecessary imports.

The government endeavored to place Germany's trade relations with foreign countries on the basis of exchange clearing and compensation agreements. The application of that system made foreign countries realize that in order to be able to sell to Germany and be paid for their exports, they had to import German goods. It was not easy to operate the system, since German goods were too expensive. Dr. Schacht succeeded, however, in tiding the country over this critical period.

In order to facilitate the task of providing for the country's raw material requirements, the government again resorted to drastic interference with private business. On Dr. Schacht's initiative, a special levy was raised from home industries for the purpose of subsidizing exports. The argument was that, unless home industries which benefited by the internal boom were prepared to assist the export trade, the latter would not be able to sell enough goods to pay for the raw material imports indispensable for maintaining the internal recovery. This special levy was as unpopular among industrialists as were the earlier measures compelling them to employ unnecessary workmen. But they had to put up with it, and while at the time of writing it is premature to estimate the results of the new arrangement, the danger of a raw material shortage has apparently been overcome. Although Germany cannot export enough to pay her foreign debts, she is by hook or crook selling sufficient goods abroad to meet her raw material requirements.

Another source of danger was mentioned by Dr. Schacht in his Koenigsberg speech. The financing of extraordinary government expenditure, he pointed out, could go on only so long as the public had confidence in the financial stability of the country. If, for some reason, the money spent by the government failed to return to the banks, they would be unable to lend it once more to the Treasury. In that case the government would be confronted with the dilemma of either financing its public works and rearmament by crude currency inflation or reducing the amount spent for these purposes. In either case trouble would inevitably arise. There is, however, no likelihood of a loss of confidence. While in France political instability is the main cause of the periodical waves of distrust, Germany is politically stable and filled with enthusiasm for the regeneration of the nation. In any case, owing to the existence of censorship—even Dr. Schacht's speech was released for the German press only in an abridged form—criticism that might cause uneasiness does not exist in Germany.

According to Dr. Schacht, the main argument against the devaluation of the reichsmark is that it would undermine confidence, and would therefore wreck the government's economic policy. In reality, experience has repeatedly shown that devaluation or depreciation of a currency, far from causing a panic, is the best way to bring it to an end. This was the experience of Great Britain, Japan, the Union of South Africa, the United States and, quite recently, Belgium. There is no reason to suppose it would be otherwise in Germany. On the contrary, prolonged resistance to devaluation might undermine confidence in financial stability in Germany.

German economic evolution is undoubtedly tending toward increased State control. Without aiming at State ownership of the means of production, the Nazi régime believes in intervention to regulate business activity in accordance with public interest. In the

course of the last three years the government did not hesitate to compel private enterprise to take or abstain from certain actions. The object is that production and trade should regulate themselves with the aid of corporations, and that the State should confine itself to the rôle of supreme arbitrator. But the full development of the corporate State is in the uncertain future, and meanwhile the government intervenes directly.

The improvement of trade in Germany has strengthened the position of industrial interests. Yet they are as far as ever from controlling the National Socialist State. As in Italy, so in Germany, the movement which was originally financed by industrialists as a means of fighting communism and socialism did not remain under their control. Some leading industrialists, in fact, complain that they are little more than paid managers in their own enterprises. Should the extremist elements in the National Socialist party gain the upper hand, the fate of industrialists would not be much better than under a Communist régime, and a good deal worse than it was under the Weimar republic.

The chances are that the balance of power in Germany will be held by the military caste during the coming year. The Reichswehr would not tolerate any development that under the cloak of radical National Socialism would virtually amount to communism. On the other hand, the military caste is not likely to become the tool of industrialists. In pre-war Germany the object of militarism was to serve the interests of industrial expansion. In present-day Germany, on the other hand, the object of industrial development is to serve the interest of the military super-State that is being created. One reason why discipline in the economic sphere has produced such satisfactory results in Germany is that the Germans are essentially a disciplined nation. Prussian military discipline, instead of being confined to the barracks, is now being applied to the economic system.

Whether or not the economic recovery continues in Germany, State interference has come to stay. While in countries with parliamentary democracy it is considered purely temporary and is tolerated only because of abnormal conditions, in National Socialist Germany it now constitutes the fundamental principle of the official policy. The only difference a substantial economic improvement would make is to rule out the possibility of the balance of power shifting toward the Left. The business world would have to submit to dictation, but it would come from conservative and not radical quarters.

Opinions are divided as to the influence of Germany's economic recovery upon the prospects of peace. According to some, the more conditions in Germany improve, the better able is she to accelerate her rearmament and bring nearer the day when she will consider herself strong enough to realize her ambitions. Others hold that the improvement of German economic conditions and the government's ability to meet raw material requirements will reduce the chances of another war, since a prosperous nation is not likely to risk her existence in an adventure the outcome of which would be highly uncertain. Unfortunately, the first argument appears to be more convincing. Prosperity in 1914 did not prevent Germany from plunging the world into a war. As far as world peace is concerned, there is every reason, therefore to view the economic recovery of Germany with apprehension.

New England Interlude

By Francis Brown

New England as the Autumn of 1935 opens is unhappy about the things that are. It is worried about certain weaknesses of its own, and deeply stirred by recent developments in the nation. For all this it blames the Roosevelt administration, which, so it is contended, has violated principles long cherished in New England the while it has wounded the pride of a section that was never noted for humility.

A year hence, if the prophecy of political observers is not faulty, New England will have its revenge. The recent by-election in Rhode Island was only a portent. Such is the conclusion of both Republicans and Democrats who sense the temper of the six States that lie east of the Hudson. One does not have to be long in this region to uncover the dislike for the New Deal and all its works. Biting criticism drops from the lips of farmers as well as business men. It leaps from the editorial pages of the press. It is shouted from the public platform.

Much, of course, can happen within a year, and even now it is not easy to plumb the minds of the masses. Though less vocal, it is a safe guess that they still feel Mr. Roosevelt is fighting their battles. A Boston taxi driver perhaps expressed a general feeling with his response to a query about the President: "I ain't heard nothin' said against him yet." The way this driver and his intimates mark their ballots in November, 1936, may confound the prophets.

Nevertheless, 'the general mood of the section is one of hostility to the New Deal. The reasons are not far to seek. As one rides through the beautiful New England countryside with its well-kept fields, its trim, white farmhouses and story-book villages the atmosphere is altogether one of calm and ease and comfort. Nowhere else in America is life so outwardly idyllic as in the narrow valleys of the Yankee commonwealths and along the rugged coastal plain. Towns and cities are busy; the roads are crowded with motorists; the resorts have had a good season. Surely thrift and industry have brought New England to a position that all America might envy.

The idyl, however, is more apparent than real. A brief trip through the industrialized areas of these States reveals that New England is caught in the meshes of economic change. The textile industry, after ailing for a generation, now lies desperately sick. Mills have been moving from the Blackstone and Merrimac Valleys for years, but their removal has been hastened by the hard times since 1930. In town after town one passes the brick factories which once with bell or whistle summoned hundreds of workers to the looms. Today the looms are silent and the mills stand deserted, their windows broken or boarded up, their chimneys smokeless.

North of Boston is the Merrimac River Valley, where once centred the cotton textile industry of America. At Lowell, a city founded on textiles and within the decade the leading producer of cotton fabrics in the United States, stand idle mills. Too often

there is the sign: "This Factory for Sale." Empty tenement houses are frequent, while unkempt dooryards bear witness to the sorry times that have come upon the citizens.

Further up the river and across the border in New Hampshire is Manchester, where the Amoskeag Manufacturing Company, in the course of more than a hundred years, built what was generally regarded as the world's largest cotton textile plant. At the height of its prosperity the Amoskeag employed more than 15,000 workers in the many units that line both sides of the Merrimac. Most of these units have been shut down; a mere handful of workers, perhaps 2,000, answer the mill whistle; and in every mind is the question, "When will the whistle be heard for the last time?"

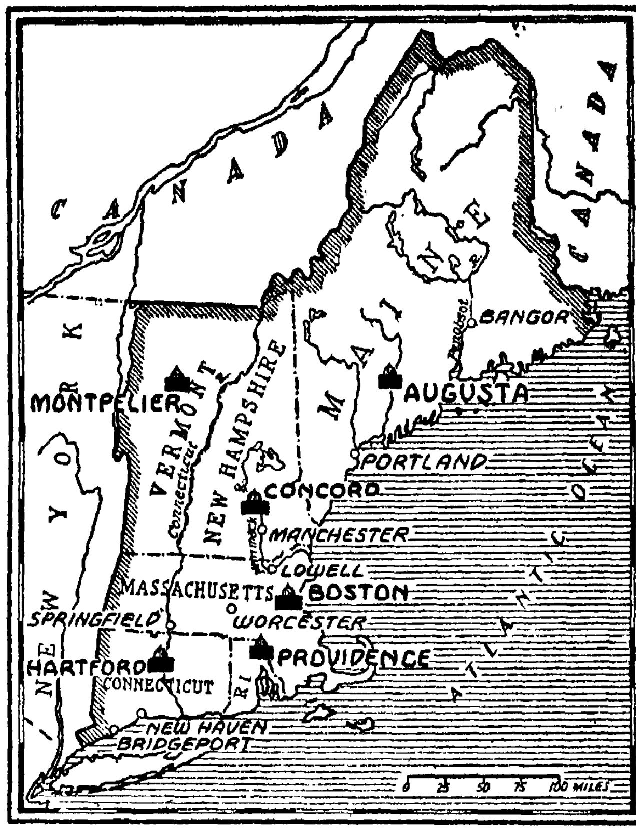
While the New Deal is certainly not responsible for what is happening in Lowell and Manchester and other textile cities, it has done little to relieve their distress. Southern competition, long the chief worry of the New England mills, has only been heightened by recent events. The NRA wage differentials, for example, bit into the possible profits of the Northern mills, while the processing tax, levied to assist the Southern cotton-grower, seemed to make sure that there would be only red ledgers in Lowell or Manchester. Much of the talk against the processing tax is bluster on the part of the operators, but it has raised a belief in the public mind that the Roosevelt administration is hostile to New England's basic industry.

What New Englanders seldom point out in public is that many plants are antiquated, that methods of selling are often inefficient. That is a penalty of plants run by family trusts or by incompetent sons. It is the penalty also of letting tradition impede progress, of retaining in control men whose foresight and initiative have been restricted by age. Too often, moreover, New Englanders forget that their mills are isolated from the great centres of American business, and especially so since the tide of trade turned West and South.

It is not only cotton textiles that are having a hard time. The shoe industry has shifted its centre from Lynn or Brockton to St. Louis, and while shoes are still manufactured in quantity, enough factories have left New England so that colonies of stranded workers can be found in the former shoe cities. Papermaking has likewise declined; silk mills have closed. In town after town the same story is repeated over and over again: "Our mills have moved away."

When added to the persistence of the depression, these conditions have given rise to a good deal of unemployment, with relief rolls that seem to grow without end. Whether or not the jobless bear a grudge against the New Deal because it has not given them permanent work is a moot point. In any event, the more fortunate are distressed by the vastness of relief—not only by the obvious necessity for it, but by the way in which it is handled. They attack the Roosevelt administration for its wastefulness on relief projects, for the politics which, it is insisted, creep into relief, for the wage-scales on relief work.

Relief is destroying individual initiative, New Englanders assert, and it does run counter to the revered belief that to be on the town is to be disgraced. It is the source of abuse and extravagance. Yet these critics might do well to note that social unrest is almost totally absent and that except for the spread of Townsend Clubs no unconventional ideas, Marxian or otherwise, have taken root in the soil of the Puritans.



The States of New England

If one leaves the urban areas of New England and travels through the farming sections one encounters a good deal of resentment against the New Deal. Much of this is political, for the Yankee farmer is stanch in his Republicanism, so stanch that since the Civil War he has seldom been able to see anything good in the party now represented by Franklin D. Roosevelt.

Not many farmers have come into direct contact with New Deal measures. Some have refinanced their debts through government agencies; the tobacco growers of the Connecticut Valley have enjoyed AAA payments. But even those who have benefited in some degree from the New Deal are not grateful. Refinancing has made few friends, and the AAA checks have been too small to compensate for the low prices brought by the sale of crops. In addition, most farmers regard curtailment of production as criminal defiance of natural laws. So it is that farmers ask only to be left alone and that they view with distaste the new Warren Potato Act.

Farmers and city dwellers alike are antagonistic to the large-scale spending of the Roosevelt administration. That instead of scrimping and saving in hard times, a government should spend with a prodigal hand is beyond the comprehension of most Yankees. They do not understand the need, for it is contrary to all they have been taught to believe. Frugality and thrift have always been principles in this part of the country, and while these may have been more often honored in the breach than in the observance, still they have commanded general respect. Out of this sentiment a large amount of political capital can be manufactured.

The Yankee's characteristic of saving has stood him in good stead both yesterday and today. It has aided him in the past and now eases the stress of economic decline. That is why New England presents so cheerful a face, a face that does not reveal the canker gnawing within. And somehow, though the years are lean, the Yankee continues to lay a little aside for the mor-

row, for in many New England towns bankers report a steady increase in savings deposits.

This back-log may go far toward explaining the Yankee's amazing hopefulness. He is worried about the future, bewildered by all that is happening, and yet he is at the same time optimistic. The paradox becomes more understandable when the self-insurance in the form of bank accounts is recalled. There are, of course, other reasons. Among them are the lessons that New England has learned in the three centuries of her history.

In this long period the Yankee has weathered all sorts of economic storms; he has taken them as they have come, confident that ultimately the sun would shine again, even though it might be on an altered world. The New Englander has watched shipping and shipbuilding all but die. He has seen lumbering and the log drives that used to be a picturesque feature of New England river life almost disappear. The tanneries and wood-working plants and woolen mills that gave life to rural communities closed and tumbled into ruin. Sheep that once made Vermont wool world-famous left the highland pastures, while agriculture drooped after the Erie Canal brought the Middle West into competition.

All this the New Englander remembers. He could not forget it if he would, for abandoned farms and rotting mills confront him whenever he pushes into the countryside. But while he remembers what has been, he also recalls that each period of decline has been followed by a period of resurgence. Why presume that present distress must be permanent?

Those who take such a stand do not speak without book. New Hampshire, for example, has gone out of its way—and successfully—to draw Summer and Winter tourists to its White Mountains, to its lakes, to its rolling country. That is why the license plates of other States are so prominent on its highways, and why at a rural farmhouse you may buy lodging, board, hooked rugs or antiques. The rest of New England is doing no less than New Hampshire to attract the visitor in the belief that the money spent, whether at a luxurious mountain hotel or at a wayside filling station, will compensate for the flow of funds that has ceased since New England's products dwindled in national and world trade.

There is also a strong likelihood that New England may find a way out through small-scale manufactures. It is notable that at present many prosperous industries are small-scale; even the smaller textile mills have withstood Southern competition. Perhaps the making of other goods—furniture, silverware, woolens—can be expanded through small, independent manufacture. Handicraft industry is looked to by some as a basis for a stable economy, and it is true that under the spur of relief directors handicrafts have in certain sections been raised to a profitable level.

Whether this sort of thing can absorb the workers displaced by the fundamental changes now occurring in New England no one knows. But there is hope. And it must not be forgotten that with all the troubles afflicting this section, it is still a busy region where many industries, the metal-working for example, show profits, where a great city like Boston is humming with activity.

There is another view to be considered. New England is old. It has sent its capital no less than its sons to all parts of the world. Payments

on these investments trickle back regularly, not as regularly as in the past, but enough so that a large number of New Englanders have a buying-power that is based upon dividends. In this characteristic New England resembles Old England in the period before the World War.

Such are the tangibles and intangibles underlying New England's optimism, an optimism that has traveled the grape-vine throughout America until the unemployed have turned their faces toward the industrial cities of Connecticut and the golden dome of the State House at Boston. On the Common before that Bulfinch masterpiece the jobless gather by the hundreds. They have come from New York, from Philadelphia and even from the West Coast, for they have heard that there are jobs in New England. Mostly they have been disappointed, and yet some when interviewed declare that "all the guys here expect to find work pretty soon."

On the surface it may appear strange that New England, in which not so long ago flowered all sorts of social experiments and reform legislation, should today look askance at change. The reason is due in part, of course, to the region's economic troubles. Perhaps it is due even more to the alien invasion that has thrown the older stock on the defensive. In Connecticut, Rhode Island and Massachusetts, where a quarter of the population is foreign-born, the presence of Irish, French Canadians, Italians, Poles, Portuguese, Greeks and a half dozen other nationalities has upset the social structure. It has among other things brought both racial and religious antagonism into Protestant, Anglo-Saxon communities.

No longer can the descendants of men who were sympathetic toward the Abolitionists, toward Brook Farm, toward Unitarianism permit themselves to consider such liberal or reform movements. Nor can industry afford the advanced legislation that gave Massachusetts leadership in the writing of factory codes. Instead, the older stock—and this holds whether individuals are rich or poor—are striving to maintain their historic supremacy, of which in certain sections little but social prestige is left.

New England, having dropped its rôle of the crusader, thinks today primarily of its own problems. Falling back upon the lessons it has learned in the past, it tries to apply them to the present. But so far it has failed to find a wholly satisfactory answer. As to the solutions prescribed for the nation's difficulties, New England does not understand them, and does not make much effort to do so.

New England's attitude is not quite consistent. In its hostility to the New Deal are combined the wish to be left alone and the wish to receive more from a paternalistic government. The Yankees think that they are not receiving their share of PWA allotments and WPA funds; yet they attack the Roosevelt administration for its expenditures. Perhaps the fact is that New Englanders think no more clearly than do other peoples, and that the rapidity of change in the modern world has left one of America's oldest sections somewhat bewildered. Perhaps, also, New England is too old to alter its habits without protest.

The Fall of King Cotton

By HENRY HAZLITT*

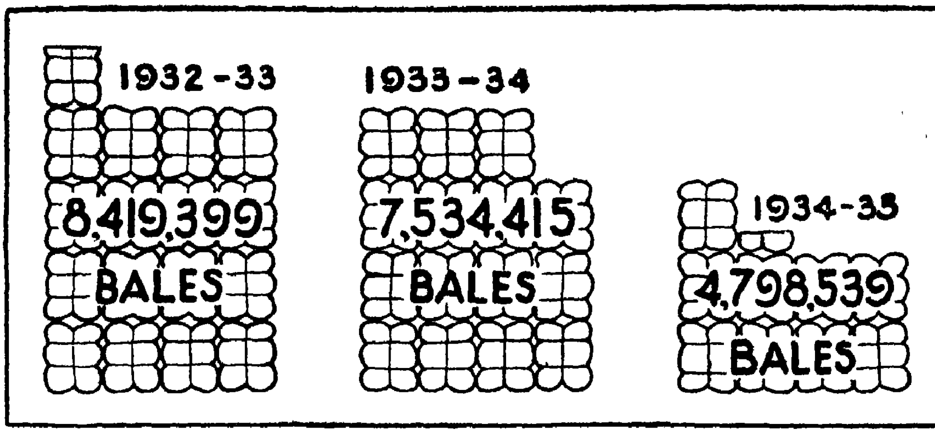
ONE would have supposed that before the American experiment in cotton control was begun, thought would have been given to the failure of the British rubber restriction plan, of the attempt of the Brazilian Government to bolster the price of coffee and of the Japanese Government to prop up the price of silk. But those who cannot remember the past, as Santayana has remarked, are condemned to repeat it. And so we set forth on our great adventure in cotton.

That adventure did not begin with the Roosevelt administration. In December, 1923, cotton had reached an average price of 36 cents a pound. From that point it declined to an average of 15 cents in the 1926-27 crop year, reached 20 cents again in the 1928-29 year, and remained at an average of 19 cents in the 1929-30 year. But the planters remembered 36 cent cotton, so these prices did not at the time seem very satisfactory. In October, 1929, therefore, the Federal Farm Board announced that it would make loans of 16 cents a pound to cotton cooperative marketing associations. Cotton was then selling at 17 1-3 cents, a price considered so low that the board thought its action "justified as a means of preventing a threatened demoralization of the cotton market in a critical juncture for the cotton growers and the general business situation."

In spite of the Farm Board loans, cotton in February, 1930, fell below 16 cents a pound. Many of the cooperatives, dissatisfied with the price they had to take, bought "futures" when they sold the cotton they were holding. When these futures matured they faced a loss. Instead of taking it, they called for delivery of the cotton. The Cotton Stabilization Corporation was then formed in June, 1930, under the auspices of the government's Federal Farm Board, and took over the stocks of cotton acquired by the cooperatives. Within a short time it had 1,300,000 bales on its hands. Notwithstanding all this governmental assistance, the price of cotton had collapsed by June, 1932, to a low price of 4.6 cents a pound. The government's losses through the activities of the Federal Farm Board, not merely on cotton but on its wheat and other transactions, were recently reported by a special Senate subcommittee at $345,000,000.

The farmers' income from cotton had fallen from $1,535,000,000 in 1928 to $484,000,000 in 1932. The amount of American cotton carried over from the previous year, which would normally have been from 5,000,000 to 6,000,000 bales, was 12,960,000 bales, an amount equal to an entire year's normal crop. In 1933 the situation had not greatly improved. On Aug. 1 of that year the amount of cotton carried over was 11,588,000 bales. But because there had been a slight improvement in prices over 1932, because there were hopes of a

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Total exports to all foreign countries of domestic unmanufactured cotton from the United States. The period in each case is from Aug. 1 to the following July 31

business recovery, and partly, perhaps, because of a belief that "something would be done for cotton," farmers expanded their plantings in the Spring of 1933 by 12 per cent.

It was in this period that the Agricultural Adjustment Act was going through Congress, to become law on May 12, 1933. Its purpose was to control crops and enable the farmers to get a "fair" price for their product. A fair price was defined as one that would enable the farmer to buy as much of other things with a bushel of wheat or a bale of cotton as he could in the period from 1909 to 1914. This price was called "parity."

In June, hardly more than a month after the act was passed, the government began a campaign to get the farmers to plow under part of the cotton they had already planted. Growers were asked to take out of production not less than a fourth or more than a half of their acreage. For every acre withdrawn they were offered cash payments of from $6 to $12—according to the amount of cotton which that acre might otherwise have yielded—plus options to buy government-owned cotton at 6 cents a pound. Instead of this they could take a straight cash payment, without options, of $7 to $20 an acre. The cotton on which options were granted represented for the most part what the old Federal Farm Board had acquired in its "stabilization" purchases.

The government was successful in removing from production about 10,400,000 acres—approximately a fourth of the amount planted—which, it was estimated, might have yielded more than 4,000,000 bales. Nevertheless, the cotton crop in 1933 turned out to be actually larger than the 1932 crop—13,047,000 bales as compared with 13,001,000.

This does not mean that the reduction plan was entirely unsuccessful. It had at least succeeded in nullifying the effects of the original increase in plantings. Moreover, the crop would undoubtedly have been smaller on the reduced acreage if it had not been for the very favorable weather and growing conditions in 1933. There were additional factors, hard to calculate. Restricted to a smaller acreage, some farmers were using more fertilizer. The United States imported 1,225,000 tons of fertilizers in 1933, compared with 870,000 in the year before. Further, it is a fair assumption that it

was the poorest acreage of individual farms that was plowed under. Finally, the smaller planted acreage probably received better care than otherwise.

In spite of the large yield the price of cotton improved, but not enough to satisfy the planters. In September, 1933, when the staple was selling a little above 9 cents a pound, they began clamoring either for inflation or a minimum price of 15 cents. In response to this demand the administration agreed in October to make loans on cotton at 10 cents a pound. The loans were made without recourse on the borrower. If the price rose above that figure, in other words, the farmer could sell his cotton and pocket the difference; if it fell below, he could leave his cotton with the government—in this case represented by the Commodity Credit Corporation—and let the government take the loss. As it happened, this particular venture turned out reasonably well. The corporation advanced loans on 1,925,000 bales of the 1933 crop. Since prices later rose well above 10 cents nearly all these loans were paid off.

But in view of the large 1933 crop it was felt that a more certain and drastic method was needed for curtailing production. The carry-over at the beginning of the 1933-34 season had been reduced by not much more than 1,000,000 bales. Prices were still below "parity." The AAA decided to restrict 1934 plantings to 25,000,000 acres—40 per cent below the average planted during the five-year period 1928 to 1932. Slightly more than 1,000,000 farmers, representing 88 per cent of the acreage planted in the 1928-1932 period, agreed to cooperate in the program and sign the government's proffered contract. But the fear arose that the farmers who did not sign would take advantage of the situation to increase their plantings. Agitation developed for a compulsory restriction of production. A vote was taken by the AAA among the producers which showed that they favored such a program overwhelmingly.

Thereupon Congress passed the Bankhead Cotton Control Bill, which became law on April 21, 1934. This law fixed a cotton production quota for 1934 of 10,000,000 500-pound bales. This quota was to be apportioned among the individual States, counties and farmers. Any cotton raised in excess of that amount was subjected to a punitive tax of 50 per cent of the prevailing average market price. Each farmer was presented with tax-exemption certificates covering the amount of his allotment. The tax was to be paid at the time the cotton was ginned. Under this plan a real reduction of the cotton crop was effected. It fell in 1934 to 9,731,000 bales—the smallest since 1921 and, with that exception, since 1901.

The cotton program has undoubtedly improved temporarily the position of the growers. The farm value of the 1932 cotton crop was $484,000,000. The farm value of the 1933 crop, with the improvement of prices to about 10 cents a pound, was $717,000,000. The benefit payments by the government to the cotton farmers in 1933 added another $163,000,000 to make a total of $880,000,000. The farm value of the 1934 cotton crop was $756,000,000. Benefit payments of $117,000,000 brought the cotton farmers' total income in that year to $873,000,000—nearly double that of 1932.

The crop reduction program, however, even the combination of crop reduction and benefit payments, cannot be given sole credit for this income improvement. Part of the higher price of cotton since 1932 has un-

doubtedly been the result of the devaluation of the dollar. Cotton is an international commodity, and in the years before the depression we normally exported about 55 per cent of our entire crop. When the dollar sank to 59 per cent of its former parity, foreigners were able to buy it at an increasing discount in terms of their currencies, a discount finally as large as 41 per cent. This made the price of American cotton more attractive and led to its almost immediate bidding up. Spot cotton jumped from an average of 6 cents in January, 1933, to 10½ cents in July of that year, a price no lower than that at the end of August, 1935, after more than two years of control programs.

The other cause of higher cotton prices, in addition to the crop reduction program, has been the government loan policy. The government successfully extricated itself from its 10-cents-a-pound loans on the 1933 crop. But when the 1934 crop came on the market, the AAA yielded to the widespread demands for loans at 12 cents a pound. These loans also were made without recourse on the borrower. The government, in other words, was guaranteeing the farmer a price of 12 cents a pound. If the price went above that, he could still take the profit; if it fell below, the taxpayer would obligingly take the loss.

As a result of this loan policy, the government found itself obliged to take over nearly 50 per cent of the 1934 crop. It now holds altogether about 6,000,000 bales, and its total investment is $400,000,000. If the Commodity Credit Corporation sold now, it would have to absorb a substantial loss, as the old Farm Board did. But a much more serious result of the policy is that it pegged American cotton at an artificial price compared with that of other countries. Foreign buyers have therefore turned to other cotton, and American exports of the staple have dropped ominously. In the crop season from Aug. 1, 1932, to July 31, 1933, those exports amounted to 8,400,000 bales. In the 1933-34 year they fell to 7,500,000 bales. In the 1934-35 year they were down to 4,800,000 bales. The decline in the crop year just ended was thus 36 per cent compared with the year before, and 43 percent compared with two years ago.

What has happened to American exports to other countries? The following table shows the average number of bales exported yearly to our five leading customers in the four crop years ended July 31, 1934, the number in the 1934-35 crop year just ended, and the percentage of that year's exports to the average:

EXPORTS IN BALES

	1931-34. yearly avg.	1934-35	Per cent 1935 to 4-yr. avg.
All countries.	7,855,000	4,799,000	61
Japan	1,778,000	1,524,000	86
United Kingdom	1,292,000	738,000	57
Germany	1,594,000	342,000	21
France	738,000	373,000	51
Italy	645,000	474,000	74

The drop in the purchases of raw cotton from us by foreign countries cannot be set down merely to a general decline in world consumption. It reflects a real substitution. Thus the world consumption of American and foreign cotton has run, in number of bales, as follows:

Season	American	Foreign	P. C. Amer. to Foreign
1931-32	12,506,000	10.501,000	119
1932-33	14,405,000	10,347,000	140
1933-34	13,680,000	11,792,000	116
1934-35*	11,314,000	14,150,000	80

*Preliminary figures.

This substitution would probably have been more thorough had it not been for a technical factor. Spinning machinery must be adapted to a particular type of raw cotton. For ex-

ample, American is a medium staple cotton, Egyptian a fine or long staple cotton, and Indian a short staple cotton. Spinning machinery must be altered or replaced to take care of different kinds of cotton. This change is expensive. Once it is made, however, it tends to be a permanent one. Foreign spinners who have been taking American cotton may be willing to pay a premium for it if the premium is not too great and if they do not believe it will continue for a long period. But once they become convinced that the premium will continue they will undoubtedly begin altering their machines on a wholesale scale to take other cotton.

The American restriction program has tended to stimulate the raising of cotton in other parts of the world. The following table shows the world production of cotton, that for the United States, and that for the next five leading cotton-producing countries, for a series of years:

cotton growers. The Brazilian Government in particular has been encouraging the growth of cotton; it operates experimental stations, teaches scientific cotton growing, and distributes free seeds. One reason for the collapse of the Brazilian coffee valorization scheme is that when Brazil arranged loans to hold her coffee off the market other countries, notably Colombia, began to expand their production. Now we, imitating Brazil's ill-fated policy, have presented her with a similar opportunity, of which she appears to be taking full advantage.

As the American cotton crop for 1935 is expected to reach about 11,500,000 bales, the percentage of American to world cotton in the new year may be more favorable than last year. The production of foreign cotton, however, also shows signs of increasing. It has already reached record levels in the last two years. As compared with an average production of 11,004,000 bales in the preceding four years,

WORLD PRODUCTION OF COTTON (IN THOUSANDS OF BALES)

	Average 1926-27 to 1930-31	1931-32	1932-33	1933-34	1934-35*
World total	26,320	27,594	23,938	26,569	23,622
United States	14,834	17,095	13,001	13,047	9,636
Per cent of total	56.4	62.0	54.3	49.1	40.8
India	4,559	3,353	3,898	4,241	4,023
China	2,090	1,785	2,261	2,726	3,125
Egypt	1,600	1,323	1,028	1,777	1,566
Brazil	521	575	448	969	1,361
Russia	1,194	1,843	1,816	1,887	1,937

*Preliminary figures.

It will be noticed that, with the exception of India, every one of these outside countries has increased its production compared with the five-year average of 1926-27 to 1930-31. The increase in China has been 50 per cent, in Russia 62 per cent, in Brazil 161 per cent. It is this rate of increase in particular foreign countries, much more than absolute amounts, that is significant of what the AAA program may eventually mean for American foreign cotton production in 1933-34 was 13,053,000 bales and in 1934-35 12,869,000.

What has been the effect of the cotton program so far at home? As we have seen, the income of the cotton farmers as a group is higher. Their "purchasing power" has increased. This, of course, does not mean a net increase in the country's purchasing power. In so far as it has been achieved at the cost of textile mills

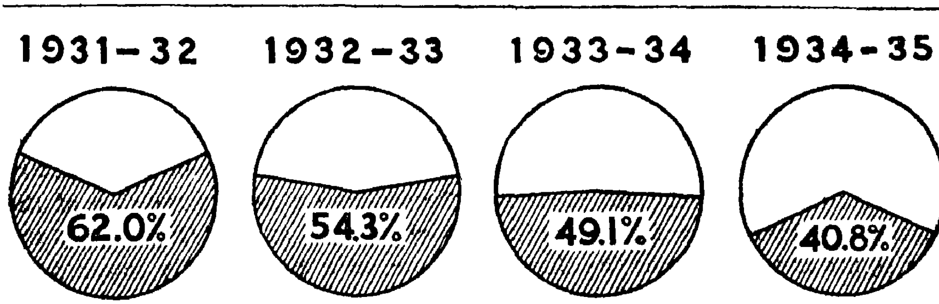
and consumers it has been a mere shift in purchasing power; and when the government has taken its losses on its cotton loans—barring inflation or a miracle—it will mean that the general taxpayer has lost in purchasing power what the cotton farmer has gained. But there are several secondary consequences of the program that indicate a net reduction in the national purchasing power.

A reduction of the crop has meant less freight to be carried by railroads and ships, less work for ginners and less demand for labor. Many observers are convinced that the poor "share-croppers" of the South, the tenants, who constitute about 60 per cent of the cotton growers, are on the whole worse off, as a result of inequities in the working of the program, than before the program was undertaken. Negro cotton pickers have been thrown out of work. Cotton has been the mainstay of the South's economy. Fifty-five per cent of it was normally sold outside of the United States. It accounted annually for nearly a fifth of the whole value of our exports. If in the end we lose our foreign markets in it and produce only for our own needs, reducing the crop to 45 per cent of its previous amount, what is to become of the Negro labor previously employed in picking the lost 55 per cent? Its competition will hardly be welcomed by workers in industry in either the South or the North.

The cotton reduction program has also reacted on the American textile industry. While all the present troubles of that industry cannot be ascribed to that program, the processing tax of 4.2 cents a pound has meant an additional cost of 35 per cent to the textile mills for their raw product on top of the doubling of price in the last two years. This has worked to increase prices and restrict consumption of cotton goods.

At the close of the recent session of Congress a significant incident occurred. Officials of the AAA, who had been outwardly complacent about the developments in the cotton program, decided that a retreat was called for, at least on the loan policy. They were convinced that to continue the 12-cent loans would merely compel the government to sink more hundreds of millions of dollars in carrying more millions of bales of cotton; that they would mean a continuation of the price differential in favor of foreign cottons and undermine our foreign markets still further.

On the other hand, the officials recognized the immense political difficulties of withdrawing a subsidy once bestowed. Such a subsidy comes to be regarded by the recipient as a natural and inalienable right. The AAA staff worked out an ingenious compromise. They would lend only 9 instead of 12 cents a pound. Thus if the world price of cotton were



The percentages show the United States' share of world cotton production since 1931

anywhere above 9 cents American cotton could move freely to world markets on a parity with other cottons. The price of American cotton, no longer propped up by the 12-cent loans, would break below that price, of course (though not below 9 cents), but they expected that. In return, they would guarantee the American farmer 12 cents a pound by paying him a direct subsidy. Thus he would be as well off as before. They proposed that at the end of the marketing season from Sept. 1 to Jan. 1 the farmers be paid, to the extent of their individual cotton allotments, the difference between 12 cents a pound and the average price of cotton during those four months.

This announcement was made a few days before Congress adjourned. Immediately the most vehement protests came from Senators from cotton-raising States. They said that a renewal of the 12-cent loan policy had been promised to them. They demanded its continuance. With the help of Senators from the wheat States, they attached an amendment to a deficiency bill making the 12-cent rate mandatory, together with government loans of 90 cents a bushel on wheat. This move was bought off at the last moment only by a compromise that allowed the wheat loan plan to be dropped altogether, but raised the promised government loan to 10 cents a pound on cotton and altered the basis of the subsidy to conform with daily variations in the market.

It may be doubted whether the cotton Senators did their constituents a real service by this move. If the world price of cotton is above 10 cents for this season, it may make no practical difference, but the rise of 1 cent in the loan figure merely reduces the chance of success for the new policy. If the world price of cotton falls below 10 cents, the government will have to keep the cotton on which it has loaned. This will further increase its holdings and, more serious, will mean a continuance of the differential in favor of the foreign product, with its threat to our export markets and its stimulus to foreign growing.

The chief significance of this compromise is the light it throws upon the formidable political difficulty of retreating from a subsidy policy once initiated, not to speak of the pressure from other groups to extend similar subsidies to them. The great majority of the landlord growers, apparently, still believe that the cotton policy has been a beneficent one for them. They may read about our diminishing cotton exports; they may read of the expansion of cotton cultivation abroad. But these are statistics that seem to carry only an academic interest. They are selling all their cotton, if not to the market, then to the government. Twelve cents a pound is guaranteed. They are getting their government checks for any difference. They are getting, in addition, their rental payments for cotton acreage that they do not use.

But what will happen when they are rudely wakened from their dream? What will happen if the government sells its holdings, if the subsidies stop, if the flow of checks from Washington is no more, if the cotton adventure in government planning completes the cycle followed by the British rubber restriction plan, the Brazilian coffee plan, the Japanese silk plan—if the growers find themselves with their foreign markets gone or permanently shrunk, and a huge expansion of the world cotton supply that leaves the staple on a permanently lower price level?

Self-Rule for India

By H. B. LEES-SMITH*

THE new Government of India Act, which became law on Aug. 2, 1935, is the most far-reaching act of British policy since the Treaty of Versailles, for it establishes parliamentary government over one-fifth of the human race. It is the final summary of a series of commissions and round-table conferences which have extended over eight years. It expresses boldly the belief that the present period of reaction in Europe is only a passing phase, that democracy is suitable to Oriental peoples, even if the experiment in its early years is hedged around with all sorts of precautions and safeguards. Such a combination of boldness and apprehension is easily understood when we consider the complexity of the problem.

India is divided into a number of Provinces—Bombay, Madras, Bengal, the Punjab, the United Provinces, the Central Provinces, the North-West Frontier Province and others. They are inhabited by peoples of different races, different religions, with twelve different languages and over two hundred minor dialects. Over 90 per cent of this collection of peoples cannot read or write their names.

About one-seventh of the population belong to the depressed classes, or Untouchables. They are separated from the rest of the Hindu community, with whom there is no marriage nor social life of any kind. The touch of a large section of them or even the passing of their shadow is pollution to the other castes. In the most extreme cases an Untouchable must leave the road if a high-caste Hindu is approaching and must shout to warn him of his presence.

In strict logic it is difficult to combine the demand of the Hindus for democratic government with their attitude to the depressed classes. Gandhi has appreciated this and has adopted as his daughter a girl from the depressed classes, and frequently refuses social invitations unless he can take friends from among the Untouchables with him. The Untouchables themselves have not caused much anxiety to the creators of the new Indian Constitution, for they are a weak and timorous group and not likely to menace the government.

The greatest difficulties have been caused by the other great minority, the Moslems. They number one-fifth of the population of India. They have the reputation of being less intellectual than the Hindus, but they claim that, if ever it comes to a contest of physical force, they will prove to have the largest proportion of the virile races. Geographically they occupy a strong strategic position. They are in a majority throughout the whole of the North-West Frontier Province, the Punjab and Kashmir. Just behind this area are the great Moslem States of Afghanistan and Baluchistan. This Moslem bloc covers a great tract of territory including the mountain passes through which the invaders of India have always come. The Moslems believe that, if India should ever become the theatre of a religious war,

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their inferiority in numbers would be counterbalanced by their fighting qualities and their strategic advantages. The more romantic among them dream of a great Moslem State in the northwest of India. The more realistic are satisfied with obtaining political control of this area, under the new Constitution, so that they can hold the minority of Hindus there as hostages for the proper treatment of Moslems elsewhere in India.

This was the state of affairs that met the commission under the chairmanship of Sir John Simon when it visited India seven years ago. The actual constitutional structure at that time, though complicated in detail, was simple in its broad outlines. In each of the Provinces and at the central government at Delhi there was a Legislature with a majority of popularly elected members. But while it could criticize and even hamper the administration, it could not control or displace it. This was because the administration consisted partly or wholly of British permanent officials who were the servants of the Secretary for India in London.

The commission proposed that the Cabinet in each Province should become directly dependent for its continuance in office on the support of the majority in the Legislature so that parliamentary government on the British model would be established. In the central government of all India, however, the commission recommended keeping the existing system of an administration not responsible to the Legislature on the ground that to establish parliamentary institutions in Provinces with such large populations as those of India was in itself a very radical step. The simultaneous setting up of parliamentary institutions for the central All-India government was regarded as a step that would lead to inevitable disaster.

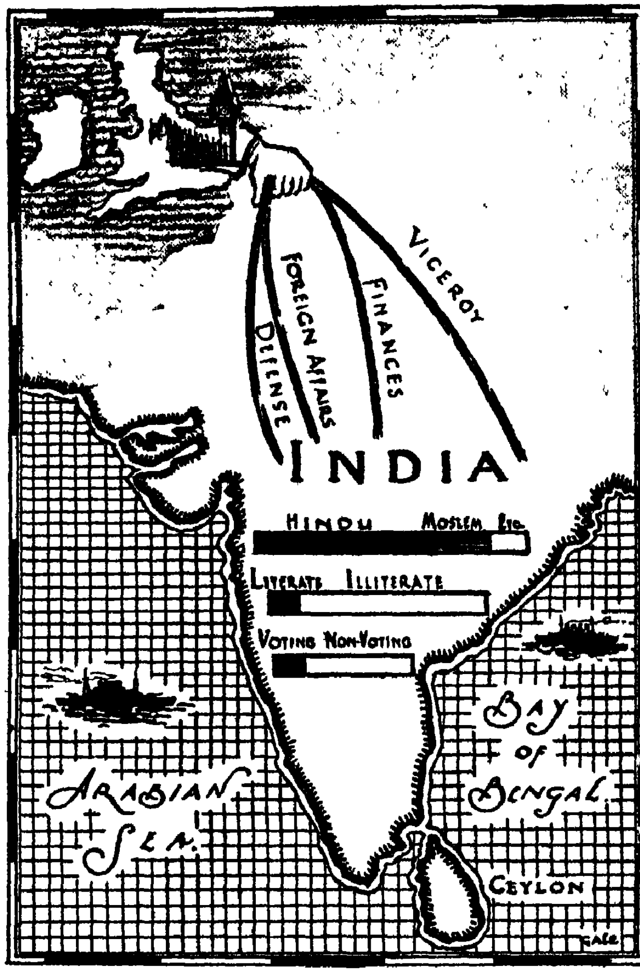
Both the moderates and extremists in the Indian nationalist movement unanimously rejected the Simon report. Opinion had moved so rapidly that provincial autonomy no longer satisfied the Nationalists, and they would accept nothing less than autonomy at the centre. These apparently extreme demands were supported by some of the most cautious and conservative British officials in India. They held that it would be most unwise to establish a number of powerful autonomous provincial governments and have feebleness of control at the centre, for there was the danger that, owing to the lack of real national sentiment, the different Provinces would be liable to be split into a dozen or more fragments. In the opinion of these officials the central administration is already too weak.

It is faced with the predominantly popular Legislatures containing the most able and most ambitious men in India, who are able to disparage, misrepresent and thwart the administration, with possibilities in the background of civil disobedience and refusals to pay taxes. The central administration is in consequence weak, compromising and apologetic. "Make the administration," these officials said, "responsible to the Legislatures and the result will be that it will act with the confidence felt by a government that is supported by a majority, while the Legislatures, on their side, will shed the frivolity which always accompanies the power to criticize without responsibility." But these views were not accepted by the British Conservative party.

The first Round-Table Conference opened in London in November, 1930, amid the gloomiest forebodings. The whole Indian problem had narrowed itself down to the question of respon-

sibility at the centre. On this issue the clash of views between the British Conservatives and the Indian Nationalists was irreconcilable. Although the Conservatives at that time were in a minority in the House of Commons, they had the decisive voice through their majority in the Lords.

On the first morning of the conference, however, the situation was suddenly transformed by the dramatic appearance on the stage of a new element—the Indian Princes. About one-fourth of India is not under the direct control of the British Administration but is governed by Princes, of whom there are over six hundred. Some of them are no more important than an English country squire, but some, like the Nizam of Hyderabad, rule over millions of people, raise their own armies, issue their own coins, print their own heads on their own postage stamps, levy their own taxes and exercise the power of life and death.



Britain's control over India under the new Constitution embodied in the Government of India Bill 1935

Until that moment all the discussions had been confined to purely British India, and it had been taken for granted that the Indian Princes as before would retain their separate existence. They now rose one after another to announce that if an All-India federation were created, they would be willing to take their place in it as an integral part. With an unexpected far-sightedness they had realized that India was on the march to self-government and that it would be wise to come in at the beginning while they could make their own terms. They explained that they could not subject their fortunes to a central federal government unless they had a voice in it. But if the Princes were given representation the rest of India could not be denied its share. Hence the non-representative centre could no longer be maintained, and responsibility to the central Legislature emerged as a consequence of the Princes' action.

This dramatic event immediately converted British Conservative opinion, which understands and is friendly to the Indian Princes. The Conservative party saw all the difference in the world between an Indian central *government* controlled by Congress politicians like Gandhi and one of which a substantial section was formed by Indian Princes, represented by their officials, old and seasoned administrators not unlike the British type. To a body largely composed of such men the Conservatives were willing to give responsible power. The three hours between breakfast and luncheon on Nov. 18, 1930, in the Queen Anne's Room at St. James Palace during which this change took place saw one of the great decisive events in the history of India; by their part in it the Princes undoubtedly consolidated their position in the government of the country.

All Winston Churchill's criticism and attacks failed to make the Conservative party reconsider its decision, which was embodied in the new Indian Constitution. Each of the Provinces is to have a Legislature, some with one chamber, others with two, with a Ministry dependent upon the support of the Legislature. Where there is a single chamber it will be popularly elected on a franchise based mainly on a property qualification which gives the vote to about 14 per cent of the population, and includes women. Where there are two chambers the lower will be popularly elected, and the upper will consist of members most of whom will be elected on either a high property qualification or by the lower house. The important Provinces will have a Governor at the head of the administration.

Above these Provincial Legislatures will be the Federal Legislature at Delhi, consisting of two chambers, the House of Assembly—the lower house, with 375 members—and the Council of State—the upper house, with 260 members. The British Indian members of the lower house will be elected for five years by the members of the Provincial Legislatures, voting in separate communal groups. The British Indian members of the upper house will be directly elected by a small electorate of about 100,000 with a high property qualification. Its members will be elected for nine years, one-third retiring every three years. The Princes will be represented in both houses, in the lower house in proportion to the population of their States and in the upper house in proportion to the number of guns to which they are entitled as a salute. In case of a deadlock between the two chambers, they will hold a joint session and the majority will prevail. The Viceroy will be the apex of the whole structure.

Simple as this solution of the main problem appears to be in outline, it was complicated by others the answers to which involved much of the work of the last five years. The first difficulty was that of the Moslems. In the early discussions no delegates were so democratic as theirs, but as the realities of self-government revealed themselves their attitude changed. A thoroughly democratic India means an India ruled by the Hindus, who constitute two-thirds of the population. The Moslems came to the conclusion that if they were driven to choose, they preferred British to Hindu rule. They demanded "safeguards," which meant in practice far more power under the new Constitution than any to which their numbers entitled them. Gandhi negotiated with them on behalf of the Hindus but utterly failed, and it was decided to leave the

adjudication to Ramsay MacDonald. The result is that the Moslems, who number one-third of the Hindus, will have almost as many seats as they in the Federal Legislature.

The Hindu-Moslem strife has had a still more dangerous outcome—the establishment of separate communal electorates. A special register of Moslem voters is drawn up in each constituency for a definite number of Moslem members, so that the Moslems vote separately from the general register. The age-long antagonism between Hindu and Moslem thus becomes stereotyped in the electoral system, and the healthy growth of parties representing divergent economic and social policies is rendered almost impossible. The mobile body of political opinion which, by throwing itself against a party with an extravagant or obsolete policy, keeps democracy on an even keel will try in vain to make headway against the fixed number of members in the communal electorates. The principle of communal electorates having once been accepted for Moslems, it was extended to the Sikhs, the Indian Christians, the depressed classes, the Anglo-Indians, the Europeans, women, the commercial interests, labor and the landlords.

Another series of problems was created by the Princes. Each of them is to make his own treaty, laying down the terms on which he enters the federation. They all refuse to permit the Federal Government to have the same powers in their States that it will have in the Provinces. The Indian Federal system will be of a kind hitherto unknown, for there will be one set of Federal powers for the Provinces and another for each of the Indian native States. The government of one part of the federation will be based upon parliamentary principles, that of the other upon Oriental absolutism.

The Princes also made it a condition that, like the Moslems, they should have representation in the Federal Legislature greater than that to which the population of their States entitles them. Although the native States account for only 23 per cent of the population of India, they will have 33 per cent of the voting power in the lower and 40 per cent in the upper house of the Federation. Here, then, is another important element in the Federal Legislature that will be impervious to movements of public opinion.

The cumulative result of giving a privileged position to Moslems, Sikhs, the depressed classes, the Princes and the rest has finally come back like a boomerang upon the Hindu nationalist leaders. Their followers are left on the general register, which now is represented by less than one-third of the members in the Federal Legislature. Even if the Nationalists sweep the whole register, they remain permanently a minority. Gandhi and Congress have won parliamentary government for India, but in doing so they have had to concede to implacable minorities of their own people a series of compromises which have put them in chains for generations to come.

This setback to Hindu nationalism came almost unawares because popular debate fastened upon the more obvious but less tenacious restrictions known as the "safeguards." Defense and foreign affairs are excluded from the control of the Legislature and are reserved for the Governor General, who is responsible for them to the British Government in London. Since 80 per cent of the Federal revenue is spent upon the army and national debt, finance also is very largely excluded from the control of the Legis-

lature. The bitter complaints of the Nationalists that the Federal Legislature is left with only odds and ends of minor importance can be understood, but this result is inherent in the facts of the situation, since the Congress party does not propose that India should immediately become responsible for her own defense.

There is a still further series of safeguards. Nowhere in the world is there such frequent need for prompt and courageous action as in India and nowhere is the penalty for hesitation and weakness greater. The Governor General is accordingly armed with a whole battery of reserve powers with which he can intervene whenever an emergency is threatened. He may use his discretionary powers to override the Legislature for the purpose of preventing any serious menace to the peace, tranquillity or financial stability of India. If there is a complete breakdown of the constitutional machinery his plenary authority permits him to assume all the powers he deems necessary. The Governor of each Province is given similar powers.

The British argument in defense of these safeguards is that it has still to be seen whether India possesses the primary requisite for democratic government—the willingness of the minority to accept peacefully the decisions of the majority. Where there are powerful minorities putting their own claims before all else, democracy is imperiled. The Indian Legislature will be confronted with the age-long antagonism of Hindu and Moslem, representatives not only of two religions but of two civilizations. By their side will stand the Princes, who have no belief in democratic government.

The Congress party claims that the safeguards are so burdensome that self-government is buried beneath their weight. The powers of the Governor General and the Governors are in the last resort quite unlimited. Nevertheless, the most acute British officials believe that these powers are illusory and that the safeguards are mere paper. The Governor General and the Governors can carry them out only by means of the official hierarchy, and as this will be almost exclusively Indian, they cannot force through a policy repugnant to Indian opinion. So we come back in the end to the simple fact that the new Constitution to be successful will require supreme tact on the part of the Governor General and the Governors. Since they cannot bludgeon the Legislatures, they will have to persuade them.

For many years the centre of political interest will probably be transferred from Delhi to the Provinces. The day-to-day life of India depends upon the decisions of the Provincial Assemblies. These will be bodies of enormous authority with control over practically everything of importance except defense. In particular they will be in charge of the police, on whom in India the whole fabric of law and order depends, for the vast majority of the inhabitants never see a British soldier. At the same time the able men of India will become Premiers and Cabinet Ministers of the great Provinces, and Delhi will cease to be the magnet for India's ambitious sons.

When Science Dictates

By WALDEMAR KAEMPFFERT*

A FEW years ago Georges Claude, the distinguished French engineer whose neon advertising lights glow on every Main Street, stood for the Chamber of Deputies. No ordinary campaign was his. Loading a motortruck with induction coils, pumps, bell-jars and steel bottles of compressed gas he proceeded to electioneer. From the tail of the truck he addressed the crowd:

"I know nothing about politics. France needs in the Chamber not politicians imbued only with the party spirit, but chemists, physicists, engineers, scientists, trained technicians familiar with the machines that have given this civilization its character. Elect me and I will try to make France even greater than she is through science and engineering. Now watch me perform a few experiments."

The crowd listened, watched and were interested. But Georges Claude was not elected. A little more political skill, and fuller recognition of the fact that at this stage in the evolution of society passions are more easily stirred than is reason might perhaps have turned certain defeat into victory; for France has numbered some distinguished scientists among her politicians—men like Bert, the physiologist; Berthelot, the chemist; Painlevé, the mathematical physicist. No Don Quixote, leading a dream life, is this Georges Claude, but a realist keenly aware that democracy is incapable of coping with the problems of an age created and dominated by science. He is an anticipation. Perhaps in him we see how democracy will attempt to save both the principle of representation in government and as much as it can of liberty, equality and fraternity.

Democracy is a political conception of the eighteenth century. It still wears periwigs and knee breeches, writes with quill pens and thinks of the electorate as the ruling class. A mechanized society walks in its own hair, wears standardized, machine-made clothes, writes on typewriters and is ruled more by industrial and economic organizations than by political parties.

Even while the Parisian rabble was singing *ça ira* and dancing the carmagnole around the guillotine that decapitated Louis XVI, Boulton and Watt's factory in Soho, London, was finding it hard to fill orders for James Watt's steam engine. What economists have called the Industrial Revolution was already under way. Coal had become something more than mere fuel that smelted ore and kept dwellings warm. It was potential energy—a strictly scientific conception. Mass production is older than the steam-engine, but after Watt it gathered momentum and completely changed its character.

It is the same with electricity. The eighteenth century talked about it at the breakfast table as we talk of radium, vitamins or the atom. When Napoleon invaded Italy the one man

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he wanted to meet above all others was Volta. Perhaps it was because Napoleon was an engineer; perhaps because he had premonitions. A *second industrial revolution has been brought about—an electrical revolution characterized by the mass production and distribution of energy;* words, songs and images converted into electric waves and transmitted over continents and seas to live again in distant lands; the world enmeshed in copper wire and the ether shaken with momentous messages that mean life or death for Italians and Ethiopians, American cotton growers and Manchurian bandits.

Mass production of goods, mass generation and distribution of energy, mass communication by radio and wire, mass entertainment through motion pictures, mass transportation on land and sea and latterly in the air—to this have we obviously been brought by Watt, Volta, Faraday, Edison, Marconi and 10,000 physicists, chemists and engineers.

What is not so obvious is a mass mind that has also been molded—a mass way of thinking. Something has surely happened to people when they are willing to dress more or less alike, ride in automobiles made by half a dozen manufacturers who agree on engine powers and outward appearances, see at night by lamps that are identical, live in houses that closely resemble one another in their appointments, eat canned and packaged foods that are distributed to millions, and satisfy their emotional cravings by motion pictures made for the many.

Mass production implies organization—scientific control. The need of it was recognized even in the early days of the industrial revolution. Arkwright, inventor of spinning machinery, organized his mills after a fashion that still commands admiration. Now we have scientific management, which means an integration of machines and men, so that an industrial enterprise employing as many as *125,000 becomes in itself a huge mechanism in charge of a super-machine* tender known as the president of the company. If we hear less and less of industrial democracy—control of plants by elected representatives of capital and labor—it is because the best type of scientific or expert management has proved its ability to cope with both human and mechanical problems.

Wherever we turn we find organization and control. With mass tastes fostered, molded, even thwarted by mechanism, it becomes possible to force human activities to seek outlets in definite grooves. Automatic playing of music on phonographs and in motion-picture houses, automatic machines that bake wheatcakes, automatic devices that sell anything from a package of chewing gum to a plate of stew, automatic elevators that stop just at the right level, automatic teachers in the form of films, automatic robots that shine shoes—they are everywhere. And this is only a beginning. Without regimentation, what we behold as a reality would be possible only in the romancing of a Bellamy. Everywhere there is organization brought about by the social pressure of the machine.

Who does the organizing and the controlling? Engineers, chemists, bacteriologists, city planners, physicists, mathematicians, statisticians—in a word, experts, highly trained men. How many are there in the United States and Western European countries of these men who conduct research in industrial laboratories, devise new processes, design new ma-

chines to which human skill and something much like intelligence can be transferred, and who supervise the complicated mechanism that makes mass production, transportation and living a reality? *No one knows exactly.*

At the top there are in all the world not more than a thousand physicists, biologists, mathematicians and chemists touched by genius—seekers after the truth, indifferent to commercial demands, men who like Newton, Faraday, Maxwell, Gibbs, Hertz and Einstein lay down purely scientific principles. Immediately beneath them stand perhaps 500,000 hired research physicists, engineers, chemists, inventors and bacteriologists who see commercial possibilities in these principles and create new processes and machines and such new means of communication as broadcasting and television. Then come possibly 2,000,000 trained designers of technical apparatus—the streamlined trains, the turbines installed in the Tennessee Valley or the Swiss Alps, the air-conditioning systems that make climate to order, the automobiles and airplanes that whisk us about.

These estimates are purely speculative. They may be much too high or much too low. They include only the best scientific minds in the universities, laboratories, drafting rooms and technical departments of industries, the creators and supervisors of mass production, mass transportation and mass communication—and ignore the machine tenders and repairers, who are familiar only with the details of a narrow technical task.

The point is that of the 1,000,000,000 people on the earth who lead a standardized existence in standardized communities less than 1 per cent hold society in the hollow of their hands. If some disease were to cut off scientists and engineers, what would become of this mechanized society? The effect would be much like that to be expected if all aqueducts were blown up, sewers destroyed, railroads and highways blocked, steamers abandoned, central stations crippled. Western Europe, America, every mechanized and electrified community would slip back in less than a year to the eighteenth century, with an accompaniment of death and distress that would eclipse the effect of any slaughter ordered by Tamerlane or Genghis Khan.

The result of the organization and control brought about by these indispensable experts has been mass thinking. It is not that the scientists tell us what to think but that their widely introduced discoveries and inventions make us think as we do. We cannot have automobiles, motion pictures, radio programs, water, electricity, gas produced or delivered *en masse* without behaving more or less uniformly. Thus are we disciplined by mass producers, and the mass producers are the experts. If we ignore the capitalists here it is because mass production is as compatible with a communistic as with a capitalistic society. Our rulers are scientists and technicians—the creators of our culture.

We may talk of liberty, equality and fraternity as much as we like. All are incompatible in different degrees with mass producing, mass consuming, mass living. There is less liberty than there was a generation ago; there will be less a generation hence, no matter what the political form of government may be. This prospect, gloomy to many who believe that the Declaration of Independence is a final utterance on human rights, has inspired a few reactionaries to

plead for a ten-year *moratorium* in scientific research. We need time, we are told, to overtake the scientists, to take stock of the discoveries and improvements that crowd on one another. As well stem the tide of patriotism or religion! As if a cultural movement could be halted like a railway train and started again at will! The scientists do not control the movement. They are swept on by it like the rest of humanity. It even dictates what they shall discover and invent. They, too, are in the clutch of circumstance.

We are entering what the late Patrick Geddes, a social philosopher of the Le Play and Comte school, called the neotechnic era, which is marked by a general electrification of all homes, farms and industries, a wider use of energy both individually and collectively, a more rapid flowering of research and an even readier acceptance of its fruits. We invent more today than we did a century ago because we have more with which to invent. Out of the discoveries, processes and mechanisms of today will come still more technical innovations.

Hence we must expect more organization, which in turn means more expert control above, more discipline and more yielding of personal liberty below. What we shall sacrifice in freedom will be balanced by more effective knowledge, by more effective service. Thus most of the gains that we have made in lengthening the span of life and controlling disease must be attributed to scientific regimentation by experts. Who would permit a man afflicted with typhoid or the plague to roam the streets? He submits to isolation; he even courts it for his own and the public good. Science grants power but imposes discipline. As it grows our power increases, but so does the need of discipline.

The sciences have not all evolved at an equal rate. On the whole, genetics promises to be the most fruitful science of the future—fruitful in its revelations, fruitful in its social applications. Mathematics, physics and chemistry, the sciences that deal with inorganic matter, have been pushed to a perfection not yet attained by the sciences that deal with life. Anthropology and psychology are not as advanced as was chemistry a century ago. Biology is at last passing from the descriptive into the experimental stage. The signs are unmistakable that with the postulation of genes and the discovery of chromosomes and the possibility of controlling heredity through them, the expert will tinker with us as he is already tinkering in a blundering way with plants, fruit-flies, rats and animals. Moreover, the biochemists must be reckoned with—the experts whose discoveries hold out the promise of controlling the development and health of the human body and perhaps of the human mind by administering synthetically produced hormones and vitamins.

The result must be something like a colony of termites, with its workers, soldiers, nymphs, yet different because of a conscious social purpose which is a guarantee against the stagnation into which some 10,000 species of social insects have apparently lapsed.

The possibility of regulating and guiding human destiny when the geneticist and the biochemist really become experts is not to be lightly dismissed. Crude and empiric as our knowledge of heredity still is, more than a score of States in America and half a dozen European countries have passed sterilization laws in an effort to prevent the propagation of the socially unfit. This stands but little

higher than suppressing a technical nuisance, like smoke or noise, or quarantining contagious diseases; yet it indicates a social trend. Some day the expert in social biology will rise above mere prophylaxis. He will become something like a designer of living organisms. He will be able not only to draw the specifications for a human being to suit a given social environment, but indicate how that human being may became a reality.

This possibility, imaginatively dwelt upon by J. B. S. Haldane in his *Daedalus*, is amusing enough to be satirized by Aldous Huxley in *Brave New World* and terrifying enough to make Bertrand Russell sound alarums. Even the bravest intellectuals shudder at the prospect of a world dominated by a small scientific aristocracy, which will naturally create each new generation of its own class in its image. Better to be ruled by vulgar tyrants whose passions can at least be understood than by a clique or camera of experts whose intellectualism is untouched by noble rage or any moral emotion.

We have but to turn back the hands of the clock to refute this purely sentimental argument. If an imaginative ancient Greek ruminating over the potentialities of Hero's primitive steam engine had foreseen a time when machines would regulate lives he would have cried: "Let us live in our own way, going and coming as it pleases us, toiling and loving as it suits us." With what horror he would have viewed the economic functions of the family transferred to the factory, its educational functions to the school, its supervision over sanitation and food to the government. These and other consequences of science and the machine were not deliberately foisted upon us. They were the inevitable products of a new outlook. They bred a culture which must be allowed to run its course and which may well include some tampering with natural evolution.

If the past is any guide it may take a century before genetics and psychology become reasonably exact sciences. Very slowly the experimenters will discover the exact nature of the gene, its chemical composition, its physical state. Then will come the first deliberate, planned changing of the eyes or wings of a fruit-fly instead of the haphazard mutating that we now bring about by indiscriminately flooding eggs with X-rays. It will be a triumph, one of the great triumphs of biochemistry and biophysics. Next we may expect some experimenting with higher types—perhaps the creation of a frog with legs more suitable for the table. The transition to fowls would be easily made. When at last the first ape is deliberately changed we shall have an event fraught with social potentialities heavier than any that lurked in the steam-engine. Human evolution will be taken out of the hands of nature and placed in those of the laboratory technician.

It is idle to argue that humanity is satisfied with itself. It never was. There are fashions in men and women as there are in clothes and automobiles. In Rubens's time the sturdy 180-pound soldier was the ideal of masculinity. In our day it is the slim, athletic Hollywood hero of the screen. Our taste in men and women, physically, morally, intellectually, depends on our culture, in which respect it is like our taste in pictures, houses and dogs. It is not inconceivable that under social pressure physical, emotional and mental types will be created, with the aid of Haldane's

ectogenetic mothers, to meet the requirements of the society of the future.

If the geneticists and endocrinologists are unable to attain true perfection in standardizing human beings, so that they readily fall into specific social classes—so many made-to-order doctors, electricians, steamfitters for a population of 20,000,000—the psychologists will complete the task. Even now conditioned reflex experts claim that the first few months of an infant's life are decisive. Psychiatrists are sure that whether persons can develop a neurosis or not is determined before the fifth year. "Give me your new-born child and I will make a Newton or a Beethoven of him," the behaviorists already shout. No doubt the claim is wild. But a hundred years hence? The very notion that human beings can be made to conform to a behavioristic pattern is in itself evidence of a social trend and an indication of the length to which the expert is likely to go.

With a world that is becoming more and more collectivistic, that demands more organization and more expert control, it is clear that democracy must change its character. Science, invention, mechanized industries, organization—these mean technical competence. But we do not know what competence in government means because we do not agree on forms and methods of government.

The committee of experts that prepared for President Hoover the monumental survey entitled *Social Trends* holds that "social invention has to be stimulated to keep pace with mechanical invention." This means experimenting with different forms of government, both local and national. The scientist may sigh for an island with 100,000 inhabitants, a place where he can conduct experiments in community life and test social inventions, but by the very act of isolation he makes it impossible to judge world effects. The scientific method cannot be applied to social problems simply because it must isolate the materials and the forces that it studies. There is nothing for it, then, but to let society evolve as a whole under the stress of a cultural movement.

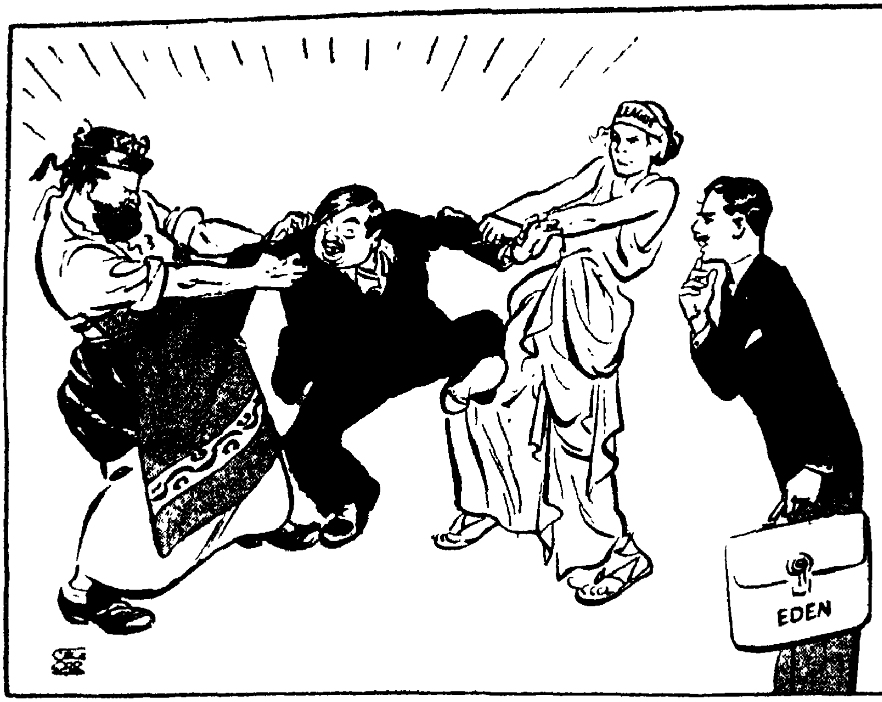
In America the evidence is strong that democracy will try to adapt itself to a changing world. It recognized the need of the expert in the World War and gave him unlimited funds and authority. It recognizes its dependence on him now, even though it hampers him by forcing him to consider present exigencies instead of future needs. It does not know how to use experts because it is itself inexpert technically, economically, socially.

So we come back to Georges Claude seeking office on the score of his scientific accomplishments, his position as an expert. Either the experts must run the country or the country must run the experts, or, better still, the government must itself become expert. Was it so absurd in the light of increasing standardization, mechanization and technical control to lecture on physics to a crowd? Was it not the recognition of a cultural and social necessity? Did it not contain the germ of a social invention and suggest a method whereby democracy might adapt itself to science and the machine?

Current History in Cartoons

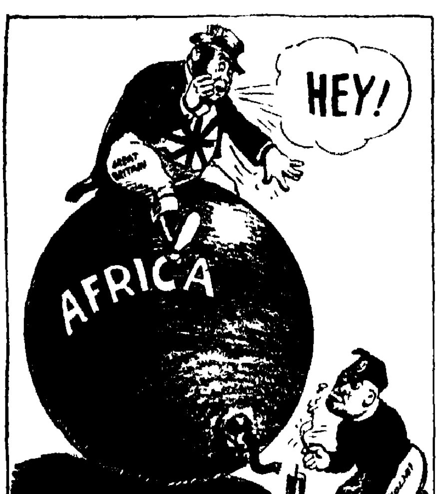


"And who is on trial today, m' lud?"
"Young man, I rather think I am myself"
—*Daily Herald*, London



M. Laval 'twixt two charmers

—*Glasgow Record*



Too close for comfort

—*Lincoln State Journal*



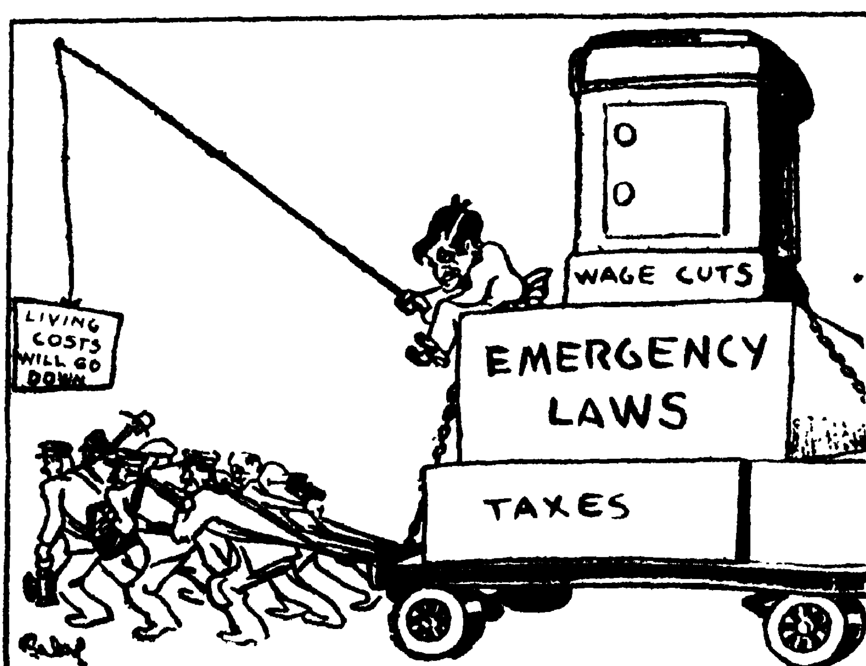
The first misstep

—*The New York Times*



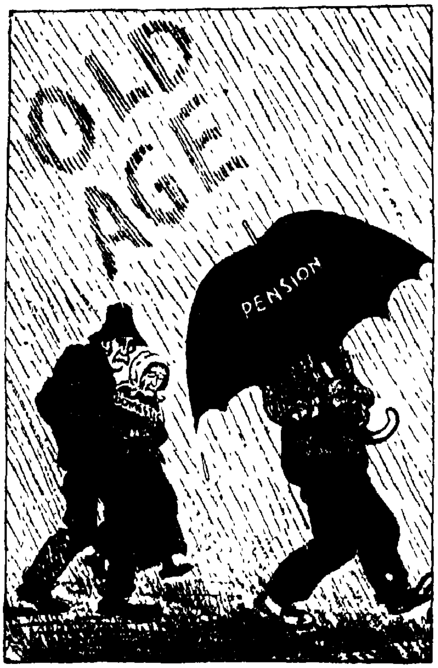
Thinking aloud--and the consequences

—*Daily Express*, London



Premier Laval's bait

—*Humanite*, Paris



The rainy day
—*Dallas Morning News*



Not for me!
—*Milwaukee Journal*



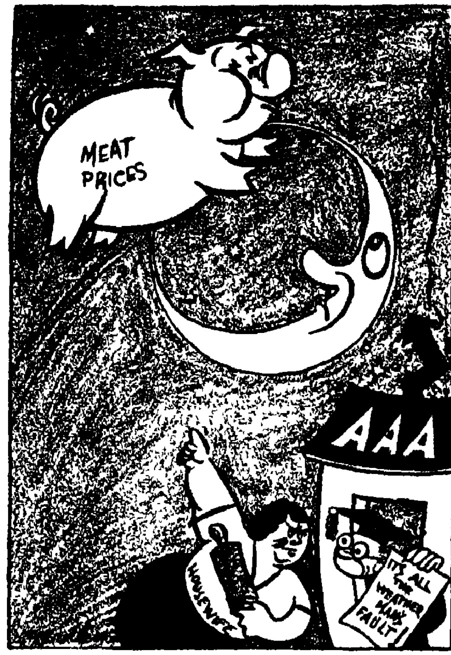
The promised "helper"
—*Christian Science Monitor*



"You promised to keep your pet locked up!"
—*St Louis Post-Dispatch*



"Watch your step!"
—*The Post-Standard*, Syracuse



And the pig jumped over the moon
—*The Sun*, Baltimore



What we really plowed under
—*Chicago Tribune*



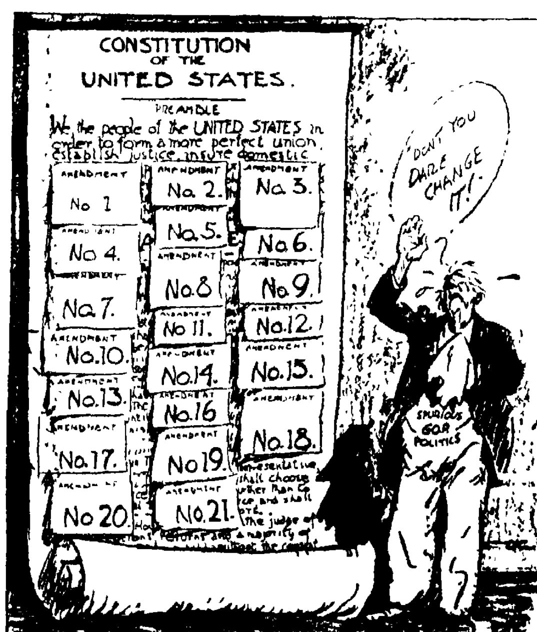
Different from the pictures
—*Chicago Daily News*



The advocates
—*Emporia Daily Gazette*



A common purpose
—*Daily Oklahoman*



How about the 21 times?
—*New York World-Telegram*

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

Aug. 14—Ethiopia asks League to end arms embargoes.

Aug. 16—Britain, France and Italy confer in Paris on Ethiopia (58).

Aug. 18—Three-power parley on Ethiopia breaks down.

Aug. 22—British Cabinet decides to leave Ethiopian question to League.

Aug. 28—Italian Cabinet holds war council (61).

Aug. 31—Ethiopian oil concession to American group reported (62).

Sept. 3—Standard Oil cancels concession in Ethiopia (62).

League arbitration committee finds neither side guilty in Walwal incident (63).

Sept. 4—League Council takes up Italo-Ethiopian quarrel (63).

Sept. 6—Five-power commission created by League to conciliate Italy and Ethiopia (63).

The United States

Aug. 5—Congress enacts bus-control law (67).

Aug. 11—Ex-President Hoover demands that Roosevelt state position on Constitution.

Aug. 14—President Roosevelt signs Social Security Bill (70).

Aug. 15—Senate passes Tax Bill (71).

Aug. 23—Social Security Board appointed.

Guffey Coal Bill passes Congress (65).

Banking Bill signed (69).

Aug. 24—Congress passes Liquor Control Bill (71).

Congress adopts neutrality resolution (72).

President signs AAA amendment (65).

Aug. 26—Seventy-fourth Congress adjourns (64).

Roosevelt signs Holding Company Bill (67).

Sept. 6—Roosevelt assures business of a "breathing spell."

Sept. 10—Senator Huey P. Long dies from assassin's wounds.

Canada

Aug. 14—Parliament dissolved (75).

Aug. 22—Social Credit League carries Alberta election (74).

Latin America

Aug. 15—New basic treaty between Panama and the United States announced (83).

Aug. 20—Ecuadorean President arrested after attempted coup (81).

The British Empire

Aug. 18—Brig. Gen. Sir Alexander Hore-Ruthven appointed Governor General of Australia.

Aug. 22—British Cabinet convenes to discuss Ethiopian controversy (83).

France and Belgium

Aug. 9—French Cabinet publishes second series of emergency decrees (87).

Aug. 11—President Lebrun appeals for end of domestic dissension (86).

Aug. 29—Belgian Queen killed in auto crash (88).

Germany

Aug. 18—Schacht attacks Nazi Jew-baiting (90).

Sept. 1—Catholic Bishops protest against "dictatorship of the spirit."

Italy

Aug. 7—High Italian officials killed in air crash en route to Eritrea (94).

Aug. 28—Italian Cabinet holds extraordinary meeting at Bolzano (94).

Eastern Europe

Aug. 15—Albanian Inspector-General assassinated (99).

Sept. 7—Elections to Polish Sejm (97).

Northern Europe

July 28—Danish farmers demonstrate against agricultural conditions (101).

Aug. 10—Foreign Minister Beck of Poland arrives in Finland on official visit (100).

Aug. 29—Finland, Norway, Sweden and Denmark conclude conference at Oslo (101).

The Soviet Union

Aug. 20—Third International concludes congress at Moscow (103).

Aug. 25—The United States protests to Soviet on Communist activity in America (103).

Aug. 27—Soviet rejects American protest (103).

Aug. 31—American note to Moscow again asks curb on Red activity (103).

The Near and Middle East

Aug. 9—Iran's Council of Ministers approves bill canceling feudal titles.

The Far East

Aug. 9—Crisis in Nanking Government circles (111).

Aug. 12—Assassination of General Tetsuzan Nagata leads to Japanese Army purge (109).

Italy Defies World Opinion

By Allan Nevins

The injustice and arrogance of the Italian position with regard to Ethiopia* became fully evident on Aug. 29 when details were published of the proposals which the British and French Governments had made at the three-power conversations in Paris on Aug. 16, 17 and 18 and which Italy had rejected.

Acceptance of these proposals would have freed the world from an oppressive load of anxiety, restored faith in the validity of solemn treaty obligations and given the League a new lease of life. Rejection of the proposals meant an accentuation of the gloom and anxiety and the choice of a road leading to a new demonstration of the weakness of international faith, the crippling or destruction of the League and the loosing of fresh hatreds and greeds upon the world. Even had the Franco-British proposals been inadequate, Mussolini might well have hesitated, but what he rejected was of the utmost generosity.

The disclosures published on Aug. 29 showed that Great Britain and France had gone to extreme limits ten days earlier in what they called their "maximum proposals." Mussolini was offered an opportunity—without firing a shot, without losing a man—for the peaceful penetration of all Ethiopia by Italian capital and the occupation of large areas of Ethiopian territory by Italian colonists.

The British and French Governments proposed, first, to use their good offices to obtain "very wide economic opportunities for Italy." These opportunities, as outlined in detail, would give Italians ultimate control of much if not most of the mineral and agricultural resources. Arrangements would be made, in the second place, for the settlement and protection of Italian colonists in "suitable areas." It was expressly stated, in the third place, that territorial "adjustments," with cession of certain tracts to Italy outright, were not to be excluded by the program. And, finally, Italy was to be given a leading rôle in a general scheme of reorganization and reform thus summarized by the correspondent of *The New York Times:* "Measures to stamp out slavery; financial assistance, with the reorganization of Ethiopian finances; the promotion of Ethiopia's foreign trade; public justice, public health, education, the postoffice and telegraphs."

These proposals would have, in short, given Italy a position in Ethiopia analogous to that granted France in Morocco by the Algeciras Conference in 1906; she could—as the Paris *Temps* pointed out—have consolidated her position there by slow degrees.

Three conditions only were attached by Anthony Eden, chief author of the plan, and Premier Laval. They were that Ethiopian political integrity must be respected; that the plan in its final form must have Ethiopia's free consent; and that since it was to rest upon an application to the League for

*For a statement of Italy's case see the article by Senator Roberto Forges-Davanzati on page 8 of this magazine.

foreign help in developing the country, it must be approved by the League Council. Italy, had she accepted, could have declared that all her complaints had been met. For many years to come Italian enterprise would have had a large field for its energies, Italian colonization—which must be slow in any event—a considerable outlet. In the course of time Italy might have proved an honest title to larger rewards in this region.

But Mussolini was debarred by one all-powerful circumstance from accepting. He is a dictator, and a dictator must think always of prestige. He has gone so far in this enterprise, he has already spent such huge sums ($60,000,000 is one estimate), that he dare not draw back without a spectacular success. To tell the Italian people, overtaxed, largely impoverished and discontented, that they must gain what they want in East Africa by patient endeavor and hard work, would imperil his régime.

Mussolini hardly gave Mr. Eden and M. Laval the courtesy of a hearing. When Baron Aloisi, Italian member of the League Council, got him on the telephone for a final statement, it was an uncompromising "No." Not one of the three conditions attached to the Franco-British plan was tolerable to him. He did not present his own counter-demands in detailed form. As Baron Aloisi stated them on Aug. 18, they call for either a protectorate over all Ethiopia, or absolute control of a large upland area for Italian settlement, with military occupation of that area. Aloisi, saying that these demands were irreducible, added that he believed compulsion would be necessary to enforce them. He was obviously right. Ethiopia will defend her sovereignty against such demands by bloody and desperate fighting

"You will march to crush any obstacle," Mussolini told a Black Shirt division as the conference in Paris broke up. And again that day: "We shall go ahead until we have built a Fascist empire." The poverty and illiteracy of millions at home are to be thrust out of Italian consciousness by the cheap glory of conquering one of the weakest nations on earth, and on its ruins is then to be erected an imitation of Scipio's African empire. Mussolini has no hesitation in avowing this as his object.

Some of Italy's spokesmen are less unblushing. Baron Aloisi told the press on Aug. 21 with a very straight face that the central aim of his government was summed up in the one word "security." Italy has heavy responsibilities in Central Europe; how, he asked, can she deal with them when constantly threatened in the rear by Ethiopia? While 200,000 men in Eritrea and Somaliland are menaced by 450,000 Ethiopian warriors, the country feels unsafe; she must disarm Ethiopia, and keep her disarmed. Yet in the next breath Aloisi answered himself by pointing to the manoeuvres of 1,000,000 men in Northern Italy as proof that Fascist military power in Europe will remain undiminished by war in East Africa. Every one knows that the occasional Ethiopian raiders which Great Britain and France have long and patiently tolerated in Northeast Africa are essentially harmless.

The fact is that, as Mussolini well knows, he must strike soon or never. Recently he spoke of his belief that peace would remain unbroken in Central Europe for two years more. He realizes that if he does not move in East Africa as soon as the rains cease, the Ethiopians will collect arms and munitions sufficient for a long war. He realizes also that Hitler is not likely to give him more than two years. Within that period German re-

armament will raise a heavy threat north of Austria. Mussolini believes that by moving rapidly he can subdue Ethiopia and get his army home in good time—but rapid movement is essential.

The rebuff to Great Britain and France brought the whole problem squarely before the League. The principal ground upon which their representatives had acted in Paris was the Anglo-Franco-Italian Treaty of 1906, of which Article III reads: "In no instance shall one of the three governments interfere [in Ethiopia] in any manner whatever except in agreement with the other two." The Italians asserted that this treaty had been modified by the agreements of 1925. But the League covenant has never been modified. As signed by Italy, it applies to this dispute in the clearest terms. It is reinforced by the Kellogg-Briand pact, in signing which Italy solemnly renounced war as an instrument of national policy. The League Council had been called to meet on Sept. 4. It was plain that if Mussolini held firm, he would come into direct conflict with Articles X, XII, XIII, XV and XVI, the last of which reads:

"Should any member of the League resort to war in disregard of its covenants under Articles XII, XIII or XV, it shall ipso facto be deemed to have committed an act of war against all other members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between their nationals and the nationals of the covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State."

The brief interval between Aug. 20 and Sept. 4 was naturally a period of anxious waiting in Europe—and particularly in Great Britain and France. The British Government confuted many predictions by maintaining its arms embargo throughout this period, obviously with a desire to avoid offending Italy. Several British leaders again made it clear that Great Britain could not act alone. Were she to interfere single-handed at Suez or in East Africa she would be open to the charge of selfish action to protect her imperial interests; she would also violate the all-important principle of collective action.

But the British Government also made it clear, by acts and not words, that it would be ready to give iron support to any decisions by the League. New naval units were moved into the Mediterranean; parts of the fleet were strategically placed to command the Suez Canal. Some 1,200 troops were hurried east to reinforce the garrison at Malta; precautions were taken there against air raids, and the harbor was closed by a boom. Church leaders in England called for vigorous action in behalf of the League. The British Trade Union Congress meeting at Margate on Sept. 5 adopted militant resolutions in support of League sanctions.

It was France, however, that was in the most difficult position during those anxious days. Her government faced the dire possibility that it would have to make a clear-cut decision between Great Britain and the League on the one hand and Italy on the other. If such a decision became unavoidable, France could not hesitate in her choice. Not merely is Great Britain a far more powerful and steadfast ally than Italy will ever be; there is the additional consideration that France has based her policy for years on the League and the sanctity of

treaties. Her much-prized leadership of the small nations of Europe, and especially the Little Entente, depends strictly upon her adherence to League principles. The French well understand that if the League now proves helpless in protecting Ethiopia against Italy, it will prove equally helpless in protecting Austria or Czechoslovakia against Germany. But to side against Italy was nevertheless very difficult for France to consider.

The interval between Aug. 20 and Sept. 4 therefore saw France wringing her hands as she looked first toward London, then toward Rome. Her leaders felt that if the Stresa Front (to which Aloisi plaintively appealed) were broken, the result might be disastrous. It is only within the year that France has escaped from alarmingly strained relations with Italy. While this unfriendliness lasted she had to garrison her southern frontier strongly; she had to worry about Italy's 35,000-ton battleships; she was disturbed by the Italian preponderance in Tunis. For three years more, as the low birth-rate of the World War period is reflected in army service, French man-power will be under a strain. A return of Italy to her old hostile attitude would perhaps mean longer terms of military service; longer service would accentuate France's economic difficulties. Altogether, it is not surprising that many French spokesmen between Aug. 20 and Sept. 4 expressed an anxious hope that if Italy remained intransigent at least the conflict could be "localized" in Africa. News dispatches of Aug. 28, after a long Cabinet meeting, attributed such views to Premier Laval.

The Italians naturally did their utmost just before the Council meeting to encourage this idea of "localization." A special meeting of the Italian Cabinet took place on Aug. 28 at Bolzano, where the army was holding its grandiose manoeuvres. The meeting gave birth to a manifesto which curiously combined threats and cajolery. It contained half a dozen main points: (1) Italy would go before the League with documentary proof that Ethiopia was a barbaric slaveholding land; (2) Italy would defend her vital interests to the last; (3) "Great Britain has nothing to fear from Italy's policy"; (4) Italy's colonial troubles ought not to have any European repercussions; (5) the use of League sanctions would lead to "serious complications"; (6) such sanctions would fail anyhow, for Italy had taken steps to make herself economically self-sufficient.

But the essence of the whole manifesto was that the quarrel with Ethiopia was essentially a local African dispute with a nation unworthy of general European notice. To drag it before the League, to talk of sanctions, was ludicrously to exaggerate it. Should other powers, demanded Mussolini, "run the risk of letting loose a new world war in order to prevent a great nation like Italy from bringing order to a country where the most atrocious slavery and most primitive conditions reign"? His government would be prepared to show at Geneva, he argued, that Ethiopia had no right to remain in the League; by taking that comfortable view, the League could save its face.

The reception which this manifesto met from the whole world was confessedly a shock to Italian opinion. The British press on Aug. 30 rang with unfavorable comments; leading American journals took the same attitude. Mussolini's blunt statement shocked many of the French into realization of the unescapable nature of the question

before them. The attempt to blacken Ethiopia's character was irrelevant.

The essential point is that Ethiopia is a member of the League, that she is under the protection of the covenant and the Kellogg pact, that Italy has all the machinery of the League to rectify any wrongs she is suffering, and that Italy is deliberately trying to wreck that machinery. She is violating her pledges and attacking the whole League system. The fundamental idea of the League is to prevent the "localization" of such disputes as that of Italy and Ethiopia. For any power to connive at "localization" would be to connive at the final overthrow of the League.

At this tense moment, just before the Council meeting on Sept. 4, one of the most curious red herrings imaginable was suddenly dragged on the scene and then with equal suddenness dragged off. The Emperor Haile Selassie's concession of vast mineral privileges to the "African Exploration and Development Corporation," announced on Aug. 30, was a piece of comedy that would have been laughable had it not been so pathetic.

Up to this time Haile Selassie's conduct had been wholly admirable. He had been moderate, courageous, eloquent. But the startling grant to an unknown company, through a British promoter named Francis M Rickett, of the right to exploit the oil and mineral resources of 150,000 square miles of Ethiopia was a blunder of the first magnitude. It at once threw doubt upon the purity of British intentions. It threatened to cripple all the efforts Mr. Eden expected to make at Geneva in rallying a united League to save Ethiopia. Rickett spoke of the grant as an Anglo-American concession, and expatiated on its high value.

Naturally, the Italian press, which has long asserted that Britain's morality is simply a mask for her cupidity, struck an "I-told-you-so" attitude. The more cynical part of the French press likewise assumed that British hypocrisy had been exposed, and pressed harder than ever for laissez-faire and localization. The British Foreign Office was galvanized into instant activity. The very next day, Aug. 31, it announced that it had advised Haile Selassie to revoke his concession—advice which he immediately rejected. But this move struck the cynics as an inadequate attempt at fumigation.

Then overnight, with refreshing completeness, the atmosphere cleared and the mystery surrounding the affair vanished. Secretary Hull and, it is said, John D. Rockefeller Jr. took a hand. On Sept. 3 it was announced that the concession was, as Haile Selassie had said all along, wholly American; that the real owners were the Standard-Vacuum Oil Company; and that as a result of conferences with Mr. Hull, officers of the company had canceled it. Chairman George S. Walden explained that the Standard-Vacuum had been doing business in Ethiopia for twenty years, was interested in petroleum production there, and had begun negotiations early this year. But it was early this year, after M. Laval's unhappy understanding with Mussolini about a larger Italian sphere in East Africa, that Italian pressure upon Ethiopia began. Mr. Rickett and the men behind him had taken advantage of Ethiopia in her direst need. Poor Haile Selassie, at his wit's end after his last appeal to the civilized world against "massacre," had attempted a desperate throw of the dice.

The meeting of the most fateful session of the League Council since

the organization began—a session to decide the fate not merely of Ethiopia but of the League itself—opened on Sept. 4 with Italy still defiant. The Ethiopian question, though twenty-second on a list of twenty-six topics, was taken up immediately. The Council heard first the report of the arbitration commission on the Walwal incident; with Nikolas Politis of Greece as fifth member, the body found neither side to blame. This side-stepping document was a minor victory for Ethiopia Mr. Eden made a brief speech declaring that "collapse of the League and the new conception of international order for which it stands would be a world calamity." Then Baron Aloisi presented the Italian case against Ethiopia.

The Italian Government was evidently reluctant to break immediately and completely with the League, while Great Britain and France were anxious to obtain as much delay and consideration as possible. On the second day, Sept. 5, Gaston Jèze, the French jurist who is acting as the Ethiopian spokesman, replied in fiery terms to the Italian indictment. It was an easy reply to make.

The Italians had cited internal abuses in Ethiopia, showing photographs quite as revolting as those of an American lynching or of Mafia outrages in Sicily. Aloisi had also cited numerous diplomatic and commercial injuries and attacks on Italian lives and property, running back forty years—though only a few years ago Italy supported Ethiopia for League membership. If one country or the other has to be expelled, it should be the country that violates League pledges. When M. Jèze began to point this out, with acid comments upon Italy's "bullying" tactics, the Italian representative left the room. But at least he did not quit the Council.

The great hope of the British and French representatives was that if they could win time, if the Italian attack could be delayed by months or even weeks, the forces of peace would gain strength. Mussolini might then perceive the financial risks he is running. Germany's growing strength might make him readier to accept a compromise. It was in this hope that on Sept. 6 the Council created a five-power commission — Great Britain, France, Spain, Poland and Turkey—to attempt conciliation of the dispute.

The outlook as the commission was set up seemed dark indeed. Compromise would have been far easier a few months ago, before Mussolini had so far committed himself. We can now see that Great Britain and France should have acted more energetically then. But even if war begins, the hope of putting an early end to it by negotiation may still be entertained.

One encouraging fact is that in Great Britain at least numerous voices are now raised advocating at least a slight reallocation of African territory. It is admitted that Great Britain and France have more than their share, that Italy should have received better treatment in the parceling-out of mandates. We cannot grant Mussolini's assumed right to convert Italy into a human ant heap by encouraging a high birth rate, and then to demand room for "expansion." But there is nevertheless something unfair in Portugal's ownership of a vast and fertile African empire while Italy has little but burning sand. The *Manchester Guardian* has spoken up for territorial readjustments, and if they are arranged, they ought also to include concessions to Germany.

The Labors of Congress

By CHARLES A. BEARD

THE first session of the Seventy-fourth Congress of the United States adjourned at midnight, Aug. 26, after passing during the rush of closing days a sheaf of bills that had long been on the carpet. Amid the heat of August days what seemed to be a hopeless deadlock was suddenly broken and every one of the great measures sponsored by the administration, including the utility bill, amended, was adopted. Although Senator Huey Long filibustered at the last moment and prevented the passage of a deficiency appropriation bill, tying up funds for the social security and railway pension program, the victory of President Roosevelt all along the line was beyond question. Thus apparently was vindicated the assumption made in these columns last Spring that he might be "employing grand strategy" in allowing Congress a free hand, with a view to making his strokes of policy at the "right" moment. (April CURRENT HISTORY, page 71.)

After the democratic processes of debate and confusion were given a free rein leadership emerged in the end. When results were surveyed at the conclusion of the discussion and uproar, it could be truly said that seldom, if ever, in the long history of Congress had so many striking and vital measures been spread upon the law books in a single session. Under what heads and in relation to what necessities and designs can these measures be classified and given consistency?

Unless history is chaos and events have neither causes nor consequences nor interrelations, then the legislative and administrative acts coming within the scope of the New Deal must conform to some necessities and purposes. Bewildering as they may have seemed as they came pell-mell from Congress and the Executive Department, they were directed to some objectives, enclosed in some conception or compromise of conceptions.

From the beginning the Roosevelt administration, like all other administrations, has been compelled to face certain necessities in the scene. "It is a condition, not a theory, that confronts us." Unemployment and misery in industrial cities, the undoubted distresses of agriculture, the bankruptcy of many great railways, defaulted real estate bonds by the billion, towering financial structures in ruins, and hundreds of banks in distress—these things and more stood there, stark and inescapable hard facts, not vain imaginings. Something had to be done about them. President Hoover had wrestled with them. President Roosevelt continued the wrestling. And every consideration of them involved all the great interests in the country—concentrated industry and finance, organized and unorganized labor, the middle classes, and agriculture, each embracing within itself conflicting interests. Also in the scene were the bitter experiences of the great economic débâcle of 1929 and the following years. Efforts to prevent a repetition of that ruinous

swing seemed necessary. Likewise in the scene were revelations of the manipulations, shufflings and intrigues behind the crisis—revelations made by the banking investigation and other inquiries. In the scene also was politics—the iron necessity which any administration is under to derive its support from emphasis on one side or another in the conflict of interests.

With history, which only the strong can endure, so conceived, the acts and policies of the departed Congress, adopted under the President's leadership, fall readily under a few heads, subject to limitations imposed by decisions of the Supreme Court, likewise carrying conceptions of interest. In such relations they take on meaning and indicate the drift of things, in which the Roosevelt administration and succeeding administrations will have to work, whatever their verbal patterns or their pretensions to recovering times past and lost.

Relying heavily upon the South and West for support and seeking to carry out vague promises of "parity prices for agricultural produce," made by Republicans and Democrats alike for years, Congress continued the farm program of the administration. By a bill signed on Aug. 24 it modified the language of the Agricultural Adjustment Act with a view to escaping the constrictions of the Supreme Court already expressed in judicial decisions. The amended AAA provides for the continuance of crop control, and subsidies to complying growers, extends for another year the Tobacco and Cotton Control Acts, includes potatoes in the long list of controlled commodities, substitutes official administration of market agreements for administration through licensed handlers, permits subsidizing the export of farm products except cotton, authorizes official restriction of agricultural imports which threaten the American price structure and forbids the fixing of prices to consumers above "fair exchange value." To counter suits for the recovery of processing taxes already paid, the new act requires the plaintiff to show that no part of his tax has been passed on to the consumer or back to the producer.

While carrying forward crop control and augmenting, by government intervention, farm incomes, Congress continued the attack on farmers' debt charges intended to increase their net returns and enlarge their buying power. This attack was started by the Farm Loan Act of the Wilson administration and continued under Harding, Coolidge and Hoover. It was represented by earlier acts of the Roosevelt administration. Congress gave it new form by passing the Frazier-Lemke Farm Mortgage Bill, as a substitute for a previous measure annulled by the Supreme Court (see July CURRENT HISTORY, page 347). This is in substance a debt-scaling scheme, not unlike similar projects applied in railroad reorganizations. Coupled with the Farm Credit Act of June 3, 1935, and the long line of farm financing measures, the Frazier-Lemke Bill aids in mitigating historic rules for the liquidation of debtors and in the transfer of farm financing from local banks to cooperative and Federal agencies. If this trend, so marked for twenty years, is to be reversed, when and how?

To organized labor, which has been more or less officially a pillar of the Democratic party, Congress tendered the Guffey-Snyder Bill, adding it to the Wagner-Connery Labor Relations Act, approved on July 5, 1935 (see August CURRENT HISTORY, page 519). It is true that this measure had the

support of powerful employing interests in the bituminous coal fields and was, with some justification, denounced as a union of owners and employes against the public. Nevertheless, it could scarcely have passed both Houses without the persistent pressure of representatives speaking for organized operatives.

The bill declares that the mining and distribution of bituminous coal are "affected with public interest" and require regulation in "the general welfare." It creates a Coal Commission, directs the commission to formulate a Bituminous Coal Code, authorizes the establishment of district boards of coal producers, and sanctions the adoption of regulations covering district production, including the fixing of minimum prices. The bill applies to the bituminous coal industry the principle of Section 7a of NRA, giving to labor the right to organize and bargain collectively through representatives of its own choosing, free from employer interference. To assure compliance with this stipulation a Coal Labor Board is to be instituted. For the enforcement of the whole measure the taxing power is employed. A punitive excise tax is imposed on the disposal of all bituminous coal produced in the United States, and coal producers who comply with the codes and other obligations of the law are to enjoy a drawback equivalent to 90 per cent of the tax. To make the measure palatable to consuming interests the President is to appoint a Consumers' Counsel who is to represent the consuming public before the Coal Commission, investigate the industry and otherwise scrutinize mining and pricing.

Despite all the attacks on the Guffey-Snyder Coal Bill, especially by Republicans who appeared to be alarmed over the Constitution, this measure represented the outcome of a long-time trend in the thought and practice of the industry. In fact, it simply applied in detail the broad principles laid down by the United States Coal Commission in Harding's administration, after months of exhaustive inquiry into the history and condition of soft coal mining and distribution. What Congress really did under the leadership of President Roosevelt was to grapple resolutely with issues presented by the Harding Commission and long neglected as the industry ran down hill into greater ruin. Critics, as usual, neglected history and treated the bill as if it had come fresh from a sophomoric brain trust, but sponsors of the measure in the House and Senate forcibly presented the historic conditions out of which it emerged. Nor did they overlook the decision of the Supreme Court in Appalachian Coals, &c., v. The United States, on March 13, 1932, lending some sanction to the effort to organize an industry "grievously hurt," in which "producing concerns fail, * * * unemployment mounts and communities * * * are prostrated." If this trend in the coal industry, so strongly marked for nearly twenty years, is to be reversed, when and how?

To another powerful branch of organized labor—the railway workers—was tendered special consideration in the Wagner-Crosser Retirement Act, to take the place of the railroad pension law invalidated by the Supreme Court. The new act is more closely drawn and limited in scope in view of criticisms advanced in the opinion of the court. It is limited to railway workers who have reached the age of 65 or have seen at least thirty years of service and who make application for the pension, or are retired on account of physical or mental disabilities. Taking note that the Su-

preme Court placed the previous law outside the pale of interstate commerce, Congress shifted the base of the new bill from its commerce power to its taxing power. Carriers and their employes are to be taxed, and out of the funds so collected the Treasury is to pay retirement allowances.

Working in line with a tradition running far back into the common law, Congress enacted three statutes relative to public utilities—railways, buses and electric power. By the Rail Extension Act it extended the office of Coordinator of Transportation until June 17, 1936, and thus sought to forward the work of consolidating operations and eliminating wastes, duplications and inefficiencies long obvious in the scattered and competing railway companies. This act is in keeping with innumerable reports and recommendations made by official and private bodies during the past twenty-five years.

Responding to the long-standing demands of railway companies, to reports of the Interstate Commerce Commission on accidents, rate-cutting and other abuses, and to discussions of the subject in Congress running back for at least ten years, Congress on Aug. 5 enacted a law placing interstate bus and truck transportation under the authority of the Interstate Commerce Commission. Common and contract carriers of this class must secure certificates of public convenience from the commission, and submit to commission regulations respecting safety appliances, hours of labor, rates and the issuance of securities. In short, motor commerce is placed on the same footing as rail commerce, and provisions are made for drawing that branch of transportation into a consolidated and coordinated national system of transportation. This measure was violently opposed by various automobile interests and bus and truck operators, but it was driven through under Executive pressure. It promises to end the paradox of taxing railways to help build highways for the benefit of competitors engaged in driving railroads into bankruptcy.

In dealing with the electric power industry, which has long been becoming national in scope and operations, Congress displayed two types of interest, neither of them new. Continuing theories and practices which have been widely accepted in State and Federal operations for years, Congress sought to eliminate some of the abuses in the organization and financing of gigantic utility concerns—abuses made evident by the Senate banking investigation, the exhaustive inquiries of the Federal Trade Commission, the collapse of the Insull utility empire and lobbying activities of day before yesterday. By specific provisions it attempted to protect investors from drains made upon them by high finance, and to favor consumers by reducing burdensome carrying and service charges. These principles it incorporated in the Holding Company Act of Aug. 26.

Although suffering from a double defeat in the House of Representatives (see September CURRENT HISTORY, page 630), President Roosevelt stuck by his guns, and near the last moment a compromise measure went through both Houses with surprising speed, its passage being facilitated no doubt by revelations of lobbying activities which even shocked lobbyists of caution and discretion. In the compromise more leeway was given to the Securities Exchange Commission in dissolving higher holding companies, and the period for performing the

operation was extended. At the same time the act, despite the charge of "death sentence" hurled against it by critics, allows for the integration of electric utilities on a regional basis when technical advantages may accrue and for a high degree of holding-company control where bona fide services are rendered. After three years the operations of holding companies are to be limited to single integrated systems and to business directly connected with supplying services to consumers. Exemptions may be granted to companies controlling a group of systems, all in the same region, which may be otherwise too small for economic operation. Holding companies beyond the second degree, however, are forbidden, and the Federal Power Commission is empowered to regulate the rates and services of electrical concerns doing an interstate business.

Meanwhile Congress and the administration continued another quest in the electrical industry, the results of which are incorporated in hundreds of volumes, official and private—that is, the quest for accurate knowledge respecting costs, rationalized rate structures, efficient operating conditions, "fair" rates and terms of "prudent investment." Notwithstanding much floundering around and the pull of local interests, certain positive steps were taken under these heads. In efforts to definitize the "yardstick" for measuring costs, Congress amplified and clarified the TVA Act. The amended act affirms the right of the authority to sell power to States and municipal bodies within transmission distance from the dams, authorizes it to lend money to public bodies for the purpose of acquiring transmission systems and permits it to regulate power resale rates. It seeks to avoid the charge of "unconstitutional delegation of power" by specifying more minutely the lawful activities of the authority.

Less spectacular, but scarcely less important, was the publication during the Summer and Autumn of the findings of the National Power Survey, conducted under the auspices of the Federal Power Commission. These findings are in the nature of "cold facts." They give comparable rates in comparable communities under comparable conditions, and cover all sections of the country. For the first time in the history of the electrical industry a comprehensive body of statistical data on rates and rate structures has been assembled. Both public agencies and private operating companies are now given a fact-basis for rate making. Not only does the survey disclose a bewildering diversity of rates; it reveals a bewildering diversity of rate-structures built up by rule-of-thumb in many cases. It also gives comparable rates charged by plants publicly owned and thus permits a more exact comparison than heretofore. It is not wide of the mark to attribute, in part, wide-spread rate reductions by private concerns which have occurred during recent months to the findings and comparisons of the National Power Survey.

Within the sphere of public utility regulation may be placed the Railroad Reorganization Act, although it is partly designed to eliminate some of the abuses revealed by the Senate banking investigation and also made notorious by preliminary inquiries of the Senate Interstate Commerce Committee under the direction of Senator Wheeler. The new act modifies Section 77 of the Bankruptcy Act rushed through Congress in the closing weeks of the Hoover administration. After approving a petition for relief duly

filed by creditors, the Federal judge in charge must appoint a trustee or trustees subject to the ratification of the Interstate Commerce Commission. The trustee or trustees must file lists of all bondholders and creditors, thus permitting independent bondholders to discover who their fellow-members in interest really are. Within six months a plan of reorganization must be filed by the debtor, unless allowed an extension of time by the court.

On this plan the Interstate Commerce Commission must hold hearings, and, if it approves, transmit the plan to the court for action. If the judge finds the plan "fair and equitable," and affording due recognition of the rights of the several classes of creditors, he shall return it to the commission with his note of approval. Thereupon the commission must submit the plan to the creditors and stockholders. If the plan receives the approval of two-thirds of those voting, the judge must put it into effect. If the approval of the two-thirds is not received, the judge may, nevertheless, confirm the plan if he finds it adequate and equitable. In case of undue delay the judge may dismiss proceedings.

Though entangled in fifty years of railway legislation and operation, the act marks a step away from the domination of railway management and reorganization by powerful banking groups. Federal judicial and administrative control is tightened, yet not to the point of prescribing terms of reorganization and selecting the directors of revamped railway concerns.

In the nature of the utilities control, with some of the same objectives more or less explicitly formulated, was the Air-Mail Act, approved on Aug. 14, 1935. This measure enlarges and defines routes, permits the Postmaster General to make three-year contracts with carrying concerns, directs the Interstate Commerce Commission to determine "fair and reasonable rates" while continuing the maximum rates of 1934, and places the burden of proof on contractors asking for rate increases. It continues in effect decisions of the National Labor Board and its successor in authority respecting hours, wages, bargaining and other labor relations. Thus a fragment of NIRA was preserved in this connection, despite the decision of the Supreme Court attacking the issue from another angle.

Besides taking actions pertaining to agriculture, labor and great national utilities—actions with objectives large and small, however confused, the Roosevelt administration faced the stresses and strains of the business depression in general. President Hoover had begun to deal with them in a large way. Since the day of his inauguration President Roosevelt and Congress have wrestled with them, inevitably, whatever criticisms of the outcome may be made. Among the insistent demands of the time none has been more insistent than the demand for some kind of public and centralized control over banks and credit inflation which are generally believed to be partly responsible for the boom in 1929 and the magnitude of the burst that followed. It was in response to this eager search for control over private inflation and for a higher degree of stability in currency vibrations that the Eccles Banking Bill was introduced in Congress last February. (See March CURRENT HISTORY, page 721.)

After a stormy career and many modifications, the Banking Act of 1935 became a law on Aug. 23. Two main points were at issue, and in the

course of the hearings and debates private bankers and administrative officials made concessions. How far does the buying and selling of Federal bonds and other obligations on the open market influence the credit fluctuations that are especially marked in business booms and bursts? Who shall control this buying and selling—these open market operations—private bankers or public officials? Out of the discussion emerged the conclusion that open market operations are important, if not determining. So control over them was vested by the Banking Act in an open market committee, representing both government and bankers.

For the old Federal Reserve Board was substituted a seven-member Board of Governors, nominated by the President. After Feb. 1, 1936, the Secretary of the Treasury and the Controller of the Currency are to be eliminated from the board as newly constituted. The open market committee is to consist of the seven members on the Federal Board of Governors and five members representing, and elected by, the twelve regional Federal Reserve Banks. Thus the government has a majority and the bankers a voice.

The act also empowers the central Board of Governors to raise the ratio of reserves against deposits with a view to imposing another check on the use of deposits by banks for speculative purposes. In the interests of centralization and stabilization, the Banking Act extended the Federal Insurance of Deposits Act, expiring on Aug. 31, 1935, up to $5,000 for each depositor. It requires all State banks with deposits of $1,000,000 or more to join the Federal Reserve System by 1942, if they are to have their deposits insured. Thus another great step was taken in the direction of national control, amid furious objections, from sponsors of the original Federal Reserve Act in Wilson's administration, who seemed to imagine that time brings no changes.

The resolve of the administration to keep firm control over the currency was also expressed in the Gold Clause Act which deprives claimants of the right to sue the United States in connection with any gold-clause securities, any coin or currency, or any claims arising out of the seizure of gold or silver, or any claims growing out of changes in the metallic content of the dollar. Thus fell to the ground last Spring's decision of the Supreme Court in the gold case.

While the Banking Act seeks to control booms and bursts at the top, the Social Security Act, approved on Aug. 14, attacks depression miseries at the bottom, with the intention of mitigating them and at the same time distributing some buying power to the victims. In this way the sense of mercy may be satisfied, possible distempers allayed and the demand for consumers' goods kept at a level above that afforded when distress takes its "natural" and "normal" course through ruin to prosperity and back again. After the Social Security Bill passed the House in April it had rough sledding in the Senate and was modified in numerous respects. Yet the broad principles were retained. The Federal Government is to make grants to States for old-age pensions and for assistance to dependent mothers, the blind and certain health and welfare activities. To this scheme is added a system of contributory old-age insurance for certain classes of the population and a project for State unemployment insurance under the threat of a Federal tax on payrolls. (See June CURRENT HISTORY, page 295.

Although the decision of the

Supreme Court in the NIRA case disconcerted for a time efforts of the Roosevelt administration to introduce "stability" into general industry and prescribe standards of hours and wages for labor, that issue was not entirely given up. Under the drastically amended NIRA of June 14 (see August CURRENT HISTORY, page 518), the skeletonized Recovery Administration and the Federal Trade Commission continued studies of hours, wages and trade practices with a view to the revival of the whole problem for the next session of Congress. In the meantime certain elements of NIRA were introduced into the Wagner-Connery Labor Relations Act of July 5, the Guffey-Snyder Coal Act and the Air-Mail Act. Certain features of it also appeared in the Federal Alcohol Act. To the liquor, wine and brewing industry the Federal Government stands in a twofold relation: Under the interstate commerce clause of the Constitution and the amendment repealing prohibition. Taking advantage of this dual connection Congress provided for licensing alcoholic industries, banned "unfair practices and unlawful competition," and prescribed centralized control over the industries in the Federal Alcohol Administration in the Treasury.

Far more significant as illustrating a long-time trend than some measures which drew great headlines in the newspapers were two laws passed in July: The Federal Register Act and the Central Statistical Act. The first provides for the custody in the National Archives Establishment of all Federal proclamations, orders, regulations, notices and documents, and for the publication of a *Daily Register* containing orders and documents of general applicability and legal effect. This act gives tardy recognition to the fact that in bulk, and frequently in importance, executive decrees, orders and proclamations outstrip statutes. Since the enactment of the Interstate Commerce Law in 1887, government by administrative orders and regulations has, of necessity, been steadily increasing. Congress has been laying down general principles. Commissions and other establishments have been making rules and concrete applications by the hundreds and thousands. At last the fact is recognized and provision is made for making regulations and decrees immediately available in one place. The Supreme Court may still split hairs over the "separation of powers" at its pleasure; government by administrative decree grows and will grow.

The second act recognizes the utility and necessity of comprehensive and coordinated statistics in the conduct of government by creating a Central Statistical Board to promote the improvement, development and coordination of Federal statistical services, and to provide statistical information on public questions as required. Despite the contempt poured on "planning" by the new wits, there will always be some planning, and knowledge will be required, unless statesmen are to resort to alchemy and political witchcraft.

To politics almost pure and simple must be ascribed the Revenue Act of 1935, passed after President Roosevelt's startling message on taxing "the very rich." (See September CURRENT HISTORY, page 626.) Efforts to widen the base of income and inheritance taxes were made in the Senate and came to naught. In its final form the act makes material increases, starting in the higher ranges of estates, gifts, individual incomes and corporate incomes, as originally con-

templated. It adds an excess profits tax and an intercorporate dividends tax and increases the rate on undivided profits of holding companies. But it does not provide for any increase in Federal revenues commensurate with the mounting expenditures and deficit. Nor does it make anything more than a gesture to the share-the-wealth advocates on the left. Yet it fits into the general objective of "leveling down great inequalities of fortune," which has haunted politicians since the great battle over the Income Tax Law of 1894.

Entirely in keeping with the spirit of Republican isolationism, the defeat of the World Court and President Roosevelt's break with the London Economic Conference of 1933, was the passage of the Neutrality Bill, sponsored, except as to details, by Senator Nye of the Munitions Investigating Committee. The Neutrality Act provides that as soon as the President proclaims the fact of war between foreign States it shall be unlawful to export "arms, ammunition or implements of war" from any port under the jurisdiction of the United States to any belligerent or to any neutral port for the use of a belligerent. It requires munition manufacturers to register with a board composed of the Secretaries of State, Treasury, War, Navy and Commerce, and penalizes unlawful shipments. If the President finds, during a foreign war, the peace and security of the United States endangered, he may proclaim the fact and thereafter citizens of the United States will travel on the ships of belligerents at their own risk, unless according to rules prescribed by the President. The President may also bar foreign submarines from the ports of the United States. This act, carrying no doubt unforeseen consequences, marked a departure from traditional "neutral rights," broke violently with many accepted "foreign policies," and indicated above all a determination of Congress to keep the country out of the next European war.

At the close of the legislative season, the usual crowd of observers and prognosticators gathered around the caldron to express judgment on the broth. Old tunes were sung again. Things are getting better; at least, they are better than they were in March, 1933; and for these blessings gratitude must be tendered to the New Deal. On the other side: things were getting better in 1932, and if the Grand Old Party had been kept in power prosperity would be here. These were, of course, mere opinions, whistlings and wish-fulfillments. There was and is no way of proving the truth of either song, tune, or argument, for the simple reason that it is impossible for the country to start back in 1933 and discover what things would be like if President Hoover had been re-elected. Knowledge of that contingency is forever denied to mankind.

DEATH OF SENATOR LONG

Huey P. Long, Senator from Louisiana, died on Tuesday morning, Sept. 10, as the result of wounds received the previous Sunday evening when he was shot in the Louisiana State Capitol by Dr. Carl A. Weiss Jr. The 29-year-old assassin was immediately riddled with bullets fired by the Senator's bodyguard. The death of Long, who was 42 years old, and had made himself dictator of Louisiana, had great political significance, for he had been a bitter and powerful opponent of the Roosevelt administration while harboring Presidential ambitions that many observers believed might split the Democratic party.

Principal Legislation of the 74th Congress

1. AAA AMENDMENTS. Seek to bring farm program within Constitution and to increase AAA's effectiveness.

2. ALCOHOL CONTROL ACT. Creates Alcohol Control Administration to control the liquor traffic.

3. AIR-MAIL ACT. Gives Interstate Commerce Commission power to investigate rates; fixes routes, general contract terms, &c.

4. BANKING ACT OF 1935. Strengthens Federal control over money and credit.

5. FARM MORTGAGE MORATORIUM ACT. Permits farmers to be adjudged bankrupt, to stay foreclosures for three years and, under certain conditions, to regain property.

6. GOLD CLAUSE ACT. Prohibits citizens after Jan. 1, 1936, from suing the government for damages arising from dollar devaluation.

7. GUFFEY-SNYDER COAL ACT. Declares bituminous coal mining and distribution "affected with a national interest" and sets up regulation of the industry.

8. LABOR DISPUTES ACT. Establishes National Labor Relations Board to promote equality of bargaining between employer and employe and to lessen labor disputes.

9. MOTOR CARRIERS. Places interstate bus and truck lines under regulation of Interstate Commerce Commission.

10. NATIONAL DEFENSE. Appropriates nearly $1,000,000,000 to strengthen army and navy.

11. NEUTRALITY ACT. Directs the President, until March 1, 1936, to embargo munitions to foreign States that may be at war; sets up licensing of arms manufacture; prescribes regulations for conduct of Americans when country is neutral.

12. NRA EXTENSION ACT. Continues NRA in skeletonized form.

13. PETROLEUM ACT. Partially regulates interstate and foreign commerce in petroleum and its products.

14. RAILROAD PENSION ACT. Establishes retirement annuities for railroad workers.

15. RAILROAD REORGANIZATION ACT. Seeks to simplify and improve procedure for financial reorganization of railroads.

16. REVENUE ACT OF 1935. Increases rates on estates, gifts, corporations, capital stock and profits of personal holding companies; levies excess profits tax and increases surtaxes on individual incomes.

17. SOCIAL SECURITY ACT. Provides for Federal old-age benefits and assists States to extend aid to the aged, dependent and crippled children, maternal and child welfare, public health and State unemployment insurance.

18. TENNESSEE VALLEY ACT. Sanctions TVA sale of surplus power, building of additional dams, acquisition of electric facilities, &c.

19. UTILITY HOLDING ACT. Places holding-company control under SEC and limits extent of utility holding companies.

20. WORK-RELIEF ACT. Appropriates $4,880,000,000 to "provide relief, work relief and to increase employment."

Congress also adopted measures in regard to conservation of natural resources, crime, the foreign service, hours of work for postal employes, shipping and Spanish War veterans' pensions. The regular appropriation bills carrying a total of $7,550,000,000 were also enacted with the exception of the Third Deficiency Bill, which was lost in the final hours of the session.

Social Credit Sweeps Alberta

By J. BARTLET BREBNER

STILL another characteristic Canadian Provincial political upset occurred in Alberta on Aug. 22 when a Social Credit party organized by William Aberhart defeated the United Farmers of Alberta, who had been in power since 1921, and captured all but design would be to issue Provincial Legislature. Under the prevailing system of proportional representation the Liberals seemed likely to secure five seats and the Conservatives two.

Aberhart, who did not run himself, is the principal of a Calgary high school and proprietor of the Prophetic Bible Institute and its radio station in the same city. His candidates professed adherence to his modification of the Douglas scheme of Social Credit, but this was so ill-defined on the hustings that the electors were in effect asked to give their support as an act of faith to a group of decent average citizens of radical economic views instead of to the old-line professional politicians. Agricultural Alberta has always been hospitable to political and economic extremes, but her 1935 performance excelled any demonstration of the past. Aberhart asked for a blank check and received it.

When he came to organize his victory by forming a Cabinet and finding seats in the Legislature for himself and one other Minister, Aberhart discovered that he had fallen heir to circumstances which seemed certain to defeat or seriously postpone his general aims. He had allowed it to be known that the central element in his design would be to issue Provincial credit-dividend books of about $25 a month to all citizens, with lesser amounts for minors. This credit would, of course, be available only for transactions inside the Provincial economy, with the Provincial Treasury arranging for ordinary cash transactions outside. Funds for these certificates were to be secured by fixing prices for domestic raw products and levying a tax of about 10 per cent on their turnover, as, for instance, the sale of wheat to the miller, of flour to the baker, and of bread to the consumer. To illustrate such a sequence it was suggested that the farmer would get for his wheat 55 cents a bushel and his dividend book, while the Province collected 65 cents a bushel in taxes.

Unfortunately, there was not only no cash in the Provincial Treasury but the very victory of Social Credit had promptly destroyed other forms of credit. The Provincial bonds, already depressed, fell further as capital fled to safer havens. Even the Canadian dollar was slightly depreciated abroad. On Aug. 27 the Province suspended redemption of its savings certificates because of extensive withdrawals and the unsalability of the Provincial bonds which constituted the reserves. The same day Mayor Andrew Davison of Calgary announced that the city would default on its obligations unless it received Provincial or Dominion aid. By the beginning of September it was calculated that Aberhart must raise about $12,000,000 at once to meet obligations quite outside his own schemes.

Since the bankers would have none of him, he could only turn to Ottawa, thereby loading another burden on the shoulders of Premier Bennett. At the same time the Social Credit party announced that it would enter its own candidates in the forthcoming Federal election, a move which Mr. Bennett could welcome because it both precluded an alliance of Aberhart with Stevens's Reconstruction party and, by increasing the number of parties to five, might, after the election, necessitate a coalition national government in which the Conservatives, who seemed unlikely to secure a majority, would play some part.

In the circumstances no one, not even Mr. Aberhart, could predict whether Social Credit could actually use its first electoral victory in the world to initiate Major C. H. Douglas's ideas in Alberta. When Douglas visited the Province early in 1935 it was as financial consultant to the previous government, but his contract runs for two years, and Aberhart announced that he would soon summon him. Douglas's plan, which has been thoroughly elaborated in his books, is designed for an economy more self-contained than that of a Province which forms part of a Federation. Aberhart has simplified Douglas's technicalities into simple vote-catching terms. The two men were not in agreement earlier in the year. Most observers felt, therefore, that it was unlikely that Social Credit could have a thorough trial in Alberta, while Aberhart, whose pronouncements just before the election had steadily diminished in emphasis and exactness, announced that it might be eighteen months before he could begin to carry out his grand design.

The new Premier found that his first task must be to reassure investors and creditors that he had "no intention of confiscation or repudiation in any way, shape or form." "On the contrary," he said, "we will protect capital." He assured investors that the savings certificate situation would be cleared up in ten days. Having postponed his dividend books for a year or two, he stressed other aspects of his program, such as prevention of mortgage foreclosures, free loans for debt refundings and so on. The obvious impossibility of his immediately banishing poverty from Alberta and his necessary dependence on Federal funds to handle pressing relief and debt payments won considerable sympathy for the man and persuaded many that Alberta's form of Social Credit would gradually lose its identity and be merged with national policy at Ottawa in much the same way that Western Progressivism modified the national administrations after the depression of 1920-21.

CANADA'S PRE-ELECTION LULL

Prime Minister Bennett on Aug. 14 secured dissolution of Parliament and announced that Thanksgiving Day would be shifted from Oct. 14 to Oct. 24, so that the general election could be held on the former date. During the month the party organizations laid their plans while awaiting the results of the Alberta election. A few lesser lights in each party warmed up the constituencies with speeches during the nominations, but the big guns like Bennett, King and Stevens were to begin their nation-wide speaking tours in the week after Labor Day.

The Conservatives faithfully awaited some major pronouncement from Mr. Bennett that might dispel the prevailing omens of defeat, but their leader was holding his fire. Some observers felt that the best he could hope for would be that the multiplica-

tion of parties would deprive the Liberals of a clear majority and necessitate a coalition. This would explain both Conservative friendliness to the so-called non-party national government groups in Toronto and Montreal and Mr. Bennett's remarks about the necessity of "reorganizing" his patched-up Cabinet after the election. In some of their utterances Mr. King and the Liberals seemed to fear this possibility, for they stressed the necessity of a solid Liberal majority to end Conservative "dictatorship" and "fascism," the "hare-brained radicalism" of the Socialistic Cooperative Commonwealth Federation and the Social Credit party, and the "ill-considered" designs of Stevens's Reconstruction party.

Mr. Stevens was quick to flirt with Aberhart after his victory, but he was bluntly jilted. Social Credit might be puzzled over what could be done in Alberta, but it was determined to capitalize its popularity by sending a solid contingent to Ottawa to speak for the radical, distressed West. All over Canada voters who were tired of the old parties showed interest in the lively, unconventional Mr. Stevens by forming clubs to support him, but they had little or no professional political technique at their command and found it difficult to secure well-known candidates. Stevens had a very short time in which to canalize this enthusiasm in various parts of the immense Dominion and he could not improvise a corps of lieutenants to do the work for him except during the intervals of a nation-wide speaking tour.

Yet he had one advantage in his ability to get into the newspapers, which his rivals of the C. C. F. conspicuously lacked. There was little or no news of the Socialists' doings except in their own small periodicals of limited circulation. Superficially their simple, downright cause seemed to have been damaged by demagogic rivals in British Columbia and Alberta, to have barely held its own in Saskatchewan and Manitoba, and to have made its only gains in Ontario. The C. C. F. has always been a loosely knit organization of little more weight than the moral appeal of its altruistic leader in the Dominion Parliament, J. S. Woodsworth.

CANADIAN ECONOMIC OUTLOOK

Early frosts in the Northern prairie region in August assisted rust and heat in the Southern to cut down the expected wheat yield. Drought in the Southern Hemisphere was having disastrous effects on Argentine prospects and reducing competition from Australia. The United States and Canada were harvesting their fourth successive short crop and it was expected that the Soviet Union, the Danubian countries and France would export relatively small amounts. In these circumstances, while bullish wheat speculators grumbled over the absence of any spectacular price rise, less prejudiced witnesses began to regard the huge Canadian carry-over of over 203,000,000 bushels at the end of the crop year as a blessing instead of a threat to world price dislocation.

J. I. McFarland, the former government operator, who on Aug. 14 was named chairman of the new Wheat Board, let it be known that the board would not sell the surplus for what it would bring, as had been believed inevitable in June, but would dispose of the government's immense holdings gradually. The board allowed trading in October and December futures on Aug. 15, after a long period during which trading in futures had been almost eliminated. Their restrictions

prescribed a daily range per bushel of only 3 cents up or down. It was generally believed that the board hoped to get 85 cents a bushel for the 200,000,000 bushels of last year's crop which McFarland had bought for government account.

Prices fluctuated relatively little and remained well above the pegged 80-cent level for all three deliveries. Since American millers to save on the processing tax were buying heavy Canadian old crop grades rather than the light grains resulting from this year's heat on both sides of the line, the exports to the United States, which began climbing over the tariff wall during July, accelerated during August. The drop in Canadian prices toward the end of the month was due to the board's repeated postponements in announcing the prices to be paid to farmers for this year's crop. The farmers wanted at least 84 cents and the miller not more than 80, but the government was delaying as long as possible in the hope of better world prices, which could be used for their full effect on the Western voters.

Canadian economic conditions seemingly began to improve again in August, chiefly owing to the widespread effects of the better wheat situation. The trade war with Japan was beginning to show its effects, particularly in British Columbia owing to the diversion of Japanese purchases of wood products to the United States. Canada meanwhile was extending most-favored-nation treatment to Poland and to five Latin American countries. On the other hand, hopes for a substantial trade treaty with the United States were steadily declining.

Collapse of the Chaco Parley

By HUBERT HERRING

THE hopeful atmosphere which surrounded the Chaco Peace Conference in July was dissipated in August. So long as the conferees talked of the beauties of peace without specifying the terms, all went happily. It seemed in July that the rivals were minded to make concessions, to approach the problem with fair play and reasonableness. As the conference proceeded the seemingly irreconciliable enmities emerged again, and it became increasingly clear in August that neither side intended to concede anything. By Aug. 23, Ambassador Hugh Gibson had packed his trunks and returned to his post in Rio de Janeiro, three out of the five Bolivian delegates had gone home, and the conference sessions had been suspended. The conference had reached a deadlock.

Early in August, the conference settled down to a sharply drawn contest on four major issues: (1) The fixing of boundaries between Paraguay and Bolivia; (2) the exchange and repatriation of prisoners of war; (3) the fixing of responsibility for the war and the settling of damages; (4) an economic accord, with necessary treaties on commerce and navigation.

The first obstacle concerned war prisoners. Paraguay, after apparent willingness according to earlier reports to take a generous attitude on the question, swung around to an ut-

terly intransigent position, and refused to make any concession on the 25,000 Bolivians whom she holds. Bolivia is in a poor position to bargain as she holds hardly more than 2,500 Paraguayans. Paraguay was willing to exchange man for man, an arrangement that would leave over 20,000 hostages in the concentration camps of Paraguay. The precedents support Paraguay. She announced that she would hold all prisoners until a treaty of peace was signed.

The question of an economic accord was indefinitely postponed upon the motion of the Argentine delegation, which had been charged with preparing drafts. Carlos Saavedra Lamas, the Argentine Foreign Minister, said that additional time would be required without setting any date when they could be expected.

The third obstacle arose on the question of assessing war guilt and determining reparations. There was a tentative agreement to invite Argentina, Brazil and the United States to appoint one judge each to sit upon a commission to which this issue would be submitted. The Peruvian delegates, backed by the Bolivians, moved that this be postponed, arguing that there was more heat than light to be gained by following that tortuous road.

The fourth and last question met the same fate. The question of boundaries in the Chaco Boreal, the issue over which the two countries had fought for three years in a peculiarly cruel and inconclusive war, provoked the greatest bitterness of all. It was agreed to have the rival delegations present their claims verbally at separate sessions of the neutrals. This was done. A strict censorship was enforced, and the rival claims were not published. It was unofficially reported that the terms in each case were so harsh that it was felt unwise to report to either of the two rivals what the other wanted.

At the closed session of the conference subsequently held, and to which neither of the two rivals were invited, it was evidently felt that there was so formidable a disparity between the opposing claims that further conference would, for the time, be fruitless. It was therefore decided to suspend the sessions indefinitely.

An unexpected element injected into the negotiations in August was Paraguay's threat to foment rebellion in the Provinces of Beni and Santa Cruz in the hope of detaching them from Bolivia and creating an independent buffer State between that republic and the Chaco. It was proposed that a new republic of Santa Cruz be erected, with a territory larger than that of either present-day Uruguay or Paraguay or of what would remain of Bolivia. This region has never been particularly friendly to La Paz, and there is a considerable section of the population more akin to Paraguay than to Bolivia. The proposal aroused a storm of wrath in Bolivia, being interpreted as one more instance of Paraguayan perfidy. It helped to kill a peace conference already struggling for breath.

The responsibility for the breakdown of the conference falls upon both sides of the former battle line. Bolivia's internal situation is grave. In spite of brighter economic prospects with an increased demand for tin at higher prices, President Tejada's administration commands but lukewarm support. He seems to be a man of peaceful temper and desirous of reaching an agreement that would stand, but he is confronted by intransigents who will yield nothing. The Paraguayan tactics, especially the proposal

to detach the two lowland Provinces, played into the hands of his enemies, and increased the precariousness of his position.

On the side of the Paraguayans, despite earlier signs of a conciliatory spirit, the victor-psychology became increasingly manifest. They had conquered the Chaco, and they did not intend to give it up. Their attitude on the release of prisoners, though technically correct, exasperated the Bolivians. Behind all other factors is a commercial imperialism which reaches down the Rio de la Plata and over to Britain. Argentine business interests are involved, and behind them are unquestionably British interests—shipping, meat-packing and oil. All this is quite strictly unofficial and largely unorganized, but there seems no doubt that the demands of Asuncion have been stiffened by the counsels of those who control the lion's share of Paraguay's economic life. The thrust toward the Andes has always held that element, but it appears in more naked light now that the final struggle is on to write the terms of peace.

THE CUBAN KETTLE SIMMERS

July and August were relatively uneventful months in Cuba. The authorities continued to talk about the December elections, but it was quite clear that no one had the slightest interest in them. Manoeuvring for position by the various political sectors continued. The Liberal coalition, advertised to gather in the party of Machado as well as other conservative forces, seemed about to pick ex-Mayor Miguel Mariano Gomez as its standard bearer, but the plan went astray. Various banished Machadistas living in New York and elsewhere began to grow too confident. Gomez, always astute, decided that it would be bad politics to represent a group for which the Machadistas ventured to talk. So by the end of July the proposed Liberal coalition was without a leader. The chances seemed slight at the end of August of any orderly party organization looking toward constitutional elections.

The two moderately cohesive parties of the Left, the Autenticos of Grau San Martin and Young Cuba, announced again that they would not participate in any election. They pronounced anathema the works of President Mendieta, Colonel Batista and Ambassador Caffery. They are frank in preparing for revolt. Both have war funds, especially Young Cuba. One of the leaders of that highly colorful organization told me on Aug. 1 that they would be ready to strike after "one more kidnapping."

August saw two other elements thrown into the political kettle. Carlos Manuel de Cespedes, the mild Provisional President who held office during the twenty-two days following the downfall of President Machado, arrived in Havana from Spain on Aug. 10 and announced that he had Presidential aspirations. On Aug. 7 it was announced that the entire governing body of the ABC, the semi-Fascist revolutionary organization chiefly responsible for Machado's defeat, had resigned and that a new group had been chosen. Behind this announcement lies the almost total disintegration of the movement which in 1933 was expected to exercise a preponderant influence in Cuban politics.

Batista in the meantime has built up a highly effective military machine. The arsenals are filled. Men are paid. It is questionable whether any military attack would be successful unless there should be a serious defec-

tion in the army. Militating against such defection is the greatly improved economic status of the island. The fiscal year closed on July 1 with only a slight deficit. The island's business was on the increase. Imports from the United States are on the upgrade.

The growing friction between President Mendieta and Colonel Batista came almost to the breaking point in July when the military dictator continued to brush aside the decisions of the President. It was reliably reported that Batista was on the point of casting the President aside, but that he was dissuaded by the American Ambassador. This was the interpretation of Cubans close to the palace in Havana.

Cuban financial circles were busy in August discussing the report of Earl B. Schwults, an expert sent by the RFC at the request of President Mendieta. The chief recommendations in this report were for the creation of a farm bank designed to encourage and protect the small farmer and for the establishment of a Cuban national currency. The farm bank idea had been urged in 1934 by the Commission on Cuban Affairs of the Foreign Policy Association. The Schwults plan provides that such a bank be financed through a production tax on sugar of about 6 cents per 150 pounds. The large sugar producers oppose this plan on the ground that they would in effect be called upon to finance their smaller competitors. The Schwults currency proposal calls for the issuance of a national paper currency, pegged to the United States dollar and guaranteed by a silver reserve deposit in the United States. The proposal was attacked from the Cuban Left as another indication of Washington domination and from the Right as a dangerous inflationary measure.

A self-appointed commission of inquiry descended upon Havana from New York on July 2, intent upon discovering the facts about the repressive measures employed by the Mendieta régime. There were fifteen men and women in the group headed by Clifford Odets, the New York playwright. On arrival in Havana they were met by Cuban detectives, and taken to jail for examination. The next day they were sent home on the steamer on which they had arrived. In an appeal to President Roosevelt the commission demanded the immediate recall of Ambassador Caffery. On Aug. 2 the President announced that he fully endorsed a statement by Acting Secretary of State William Phillips, in which he declared Ambassador Caffery to have the full confidence of Washington.

Another unofficial commission, Cuban this time, made a return visit to Washington in mid-August, representing the Social Economic Union of Cuba, an organization purporting to represent Cuban capital, labor, agriculture and industry. They called upon President Roosevelt, Secretary Hull and Secretary Wallace to assure them of the Cuban desire to cooperate with the United States. Senator Nye in a letter to the commission said that the best way to begin cooperation was the payment of interest on outstanding loans. Altogether it seemed quite clear that the commission was about as representative, and its mission about as inconclusive as the somewhat Communist-tinted commission of playwright Odets.

ARGENTINE POLITICAL STRIFE

The long-smoldering political discontent in Argentina became vocal in August. The group in control, the Concordancia, is a coalition in which the National Democratic party (Conservatives) predominate. The Presi-

dent, General Agustin P. Justo, has the support of the Right Wing groups, and of a number of nationalistic and Fascist groups, the chief of which is the Legion Civica. Opposed to this coalition are the Radicals, a party which held power from 1916 to 1930, when they were overturned by the movement led by General Uriburu. The leader of the Radicals is Dr. Marcelo de Alvear, who is regarded as the dominant political leader of the republic. There is an aggressive Socialist party which dominates the city government of Buenos Aires, while a Progressive Democratic party has its stronghold in the Province of Santa Fe.

The issue that emerged in August was the threat of Fascist dictatorship. President Justo's attempt to impose a strict censorship on the press and the exchange of shots in the Senate over the tactics of the meat packers precipitated the argument. Mass meetings were held in Buenos Aires and elsewhere to protest against what was held to be an impending Fascist coup. The Radicals, while not participating in these meetings, announced that no Fascists would be tolerated in their ranks. Parties mean little in Argentina because of the feudal character of the agricultural community. Nevertheless, a widespread and obstinate confidence in democratic processes prevails. The Radicals are determined to go to the country on the issue of constitutionality versus dictatorship.

The tension was somewhat relieved when on Aug. 20 the Attorney General ruled against the edict putting press associations and newspaper correspondents under bond. This was regarded as a partial surrender by President Justo.

The Argentine economic situation steadily improved during the first seven months of 1935. Foreign trade increased 13 per cent over the same period of a year ago. The Central Bank of Argentina reflected the improvement, with gold reserves showing a steady gain. New industries have steadily improved, and a movement has set in for further diversification of agricultural products. Argentina, like Brazil, took advantage of the shift in the world market for cotton created by the policy of the United States and increased her production of that commodity in 1934 by 33 per cent over the previous year.

ECUADOR DEPOSES A DICTATOR

Ecuador offers further proof that dictatorship is on the wane in South America. On Aug. 20 the army arrested President José M. Velasco Ibarra and confined him to the barracks in Quito. He had, during the preceding weeks, taken various drastic steps to tighten his hold upon his unruly country. He had seized the newspapers and ordered that no edition be published without police approval. He had jailed many of the leading oppositionists both within and without Congress. The crisis was finally precipitated by his proclamation closing Congress. Behind him were a part of the army and a semi-Fascist group called Accion Civica. These went with him until his case was hopeless, but the stronger leaders of the army seem to have been intent upon avoiding dictatorship. The argument of constitutionality weighed more heavily with the army in Ecuador than in some other republics.

Velasco deposed, the army selected Antonio Pons as President of the provisional government. The new President proceeded to select a Cabinet. Dispatches indicated that he roused but little popular enthusiasm. There is a genuine demand for a leader well removed from the régime of Velasco

Ibarra. The ruling class in Ecuador represents a small part of the population, and politics is their engrossing business. The workers of the republic, urban and rural, have grown increasingly restive and have been demanding larger representation and a voice in determining public policy. They view the swift changes in Presidents and Cabinets which have been the rule during recent years as family feuds of the ruling class.

INCREASED MEXICAN UNITY

President Lazaro Cardenas of Mexico continued in August to strengthen his position. It was the third month in which he ruled in his own right, after the elimination of Calles in June. Close observers agree that Calles is no longer a factor in the situation, and doubt whether he will seek to embarrass Cardenas.

The State feuds quieted down during the month. In Tamaulipas the Calles leaders were replaced by Cardenas supporters. In Nuevo Leon the election of July 28 had been indecisive, and both candidates for Governor, Plutarco Elias Calles Jr., the son of the former chief, and General Fortunato Zuazua declared that there had been fraud. The election was finally nullified in August and another ordered.

President Cardenas on Aug. 16 announced his determination to resume payments on the foreign debt as soon as possible. This debt was consolidated in 1932 at a total of $267,000,000, but the payments contemplated by the agreement have not been made. Though one-third of these bonds is held in the United States, Americans are chiefly interested in the agrarian bonds given in exchange for expropriated lands. President Cardenas believes that the rapidly improving economic situation will before long enable Mexico to negotiate a new settlement the terms of which the Mexican Government will faithfully meet.

Widespread unrest in the rural areas faced President Cardenas during the Summer. The agrarian forces have grown increasingly suspicious of the fair protestations of successive Presidents and have demanded that the subdivision of the great haciendas be resumed. Cardenas during August continued his appeal to the farming communities, apparently believing that the stability and integrity of his government rest upon the agrarians. He encouraged the organization of the peasants and launched a plan whereby they will be organized as military reserves of the regular army. This organization and arming of the agrarians is interpreted by many as a democratic check upon the professional army.

In the meantime official life in the capital has felt the tonic of the new leader. It has become a token of disgrace for a political leader to own a fine house and to drive expensive cars. Many high officials live in bungalows and drive their own Fords to work.

REFUGEES IN LATIN AMERICA

James G. McDonald, the League of Nations High Commissioner for German Refugees, and Samuel Guy Inman visited South America during the Spring of 1935 to investigate possible openings for German Jews who have been driven out of their country. Their reports were made public in August. Mr. McDonald was somewhat pessimistic. He evidently encountered definite anti-Semitic movements in some of the republics, and this, coupled with the strain of the depression, created little hope for Jewish settlers. Mr. Inman's report was somewhat more optimistic, particularly in regard to opportunities for settlement in Ecuador,

Paraguay and Colombia. He was confident that openings could be found for at least 100 university professors and for a considerable number of scientists and technicians. He reported plenty of demand for immigrants willing to work on farms, for which, however, the great majority of German Jewish refugees are not fitted.

PANAMA WINS SOVEREIGNTY

An agreement between the United States and the Republic of Panama was announced on Aug. 15 for a new basic treaty to supersede that of 1903. The complete text of the agreement was not revealed, but it is clear that Panama is assured release from the provisions in the 1903 treaty which permitted intervention by the United States. On the other hand, the United States will no longer guarantee the independence of Panama. This agreement follows the lead of that made with Cuba, under which the Platt amendment was abrogated.

Other differences between the two countries were expected to be settled by the new treaty. One of these is the question of the payment of the annual Canal Zone rental of $250,000. The agreement of 1904 called for payment in gold dollars of the standard of that year. Panama has refused, during the past two years, to accept payment in the devalued dollars of the United States. The State Department announcements left the final disposition of this matter somewhat in doubt. It appeared possible that the payments of the past two years would be met in gold, but that future payments would be in devalued American dollars.

Britain Enjoys a Boom

By RALPH THOMPSON

So all-consuming was British interest in matters warlike and international within recent weeks that domestic affairs were more or less cast in the shade. Yet ninety-five bills had received royal assent on Aug. 2, including the Housing Bill, the Restriction of Ribbon Development Bill and the measures extending the Exchequer subsidies to the cattle industry and to sugar growers. Business had experienced a mild boom instead of the customary Summer falling-off; unemployment had declined still further. A new high record in Bank of England note circulation had been set during the week ended Aug. 10, due in part to heightened trade activity but also to increased hoarding.

Somewhere in the hazy future hovered the much-discussed general election. Meanwhile Parliament was due to reassemble on Oct. 29, though in case of need it could be convened at any time.

The eventuality that might make it necessary to summon Parliament in advance was the crisis in foreign policy that had arisen out of the Ethiopian dispute. Parliament had recessed on Aug. 2 with the feeling that a well-earned rest was in prospect, and the members of the government had scattered to the four winds on vacation. But suddenly came the call for an extraordinary Cabinet meeting.

Concern over Italy's African venture had not developed out of a clear

sky. Just before the recess Sir Samuel Hoare, Foreign Secretary, had gravely announced in the House of Commons that the Ethiopian controversy was "fraught with every kind of dangerous issue" and that the government viewed it with gloom and apprehension. The Opposition had criticized Prime Minister Baldwin and his associates for their apparent willingness to allow the League of Nations to go to pieces on the rocks of Italian ambition. Few observers believed that a stern and uncompromising stand would be taken. But once it was taken, all the world sat up in wonder, half rejoicing and half afraid.

The Ethiopian question is discussed elsewhere in this magazine; all that need be said here is that the belligerent attitude of the British Government was not unconnected with the war-mindedness that had been growing in government circles in recent months. Intentionally or unintentionally, the celebration of King George's silver jubilee had embraced all-round homage to the British Army, Navy and Air Force. Steadily increasing appropriations for the defense services had been jammed through Parliament after the Admiralty and War Office had moved the public half to tears by confessions of their weakness and impotence.

Nevertheless, so far as the great mass of the people was concerned, peace sentiment predominated, and this was not least among the various factors the government had to consider in its attempts to deal with the crisis.

NEW IRISH CONSTITUTION

In the Irish Free State chief attention was, during recent weeks, directed to the question of a new Constitution. Certain Irish Nationalists who subscribed to the doctrine that England's bad luck is Ireland's good luck prayed that war would come, for then would be the time to strike, and to strike hard, against the vestiges of British control. But the majority of the population were less bloodthirsty; war or no war, President de Valera seemed to be playing the anti-British game in a satisfactory manner. His progress toward an Irish republic, stumbling and uncertain as it might have become, was good enough for the rank and file of the voters.

Who could deny that during the past year the British connection had been whittled down perceptibly? The oath of allegiance to the Crown was gone, nominally and actually, and although an official representative of the King still signed Irish laws in the royal name, he was a figurehead appointed on the advice of the Free State Government. In the Constitution being framed by Mr. de Valera, moreover, the office of Governor General was to be combined with that of President of the Executive Council, so that the last formality of British overlordship would soon disappear.

Such, at least, was the rumor, and nothing more satisfactory than rumors could be had. The new Irish Constitution is indeed still something of a mystery. It is clearly intended to be an Irish-made affair, in contradistinction to the Constitution effected by royal proclamation in December, 1922. But at every step, it is believed, the British Government has been consulted. Not that Mr. de Valera has accepted the safeguards insisted upon by London; if reports are correct, he is determined to throw out any and every clause which does not conform with his ideas of Irish independence. The fact none the less seems to be that this home-manufactured Constitution is, paradoxically, also *not* a home-manufactured Constitution; the

Free State Government appears anxious to refrain from further antagonizing both Britain and the more radical Irish Nationalists.

In its economic war with Great Britain, the Free State has not been successful. Several years ago Mr. de Valera told London to whistle for its Irish land annuities, and a first-class tariff battle began. The results may be gathered from the Free State trade returns for the twelve months ended June 30, 1935. The unfavorable balance showed still another rise, until it stood at £18,785,000 (approximately $94,000,000), as compared with £11,570,000 ($58,000,000) for the year ended June 30, 1931. For 1934-35, moreover, the value of Ireland's total foreign trade also declined to a figure about 40 per cent below that for 1930-31.

How long the Free State can stand this gradually disappearing import and export business remains to be seen. Mr. de Valera is making valiant attempts to teach the country to feed itself, and not in vain, but less fortunate have been the results of his efforts to make Ireland independent of industrial Britain or to find new markets for the agricultural products which Ireland must export in order to live.

AUSTRALIAN PROGRESS

Australian finances, which were for years in deplorable shape, have improved greatly under the administration of Prime Minister Lyons. Accounts for the twelve months ended June 30 showed a surplus of nearly $3,000,000, as compared with a deficit of about $45,000,000 in 1931. While this surplus is smaller than that of the three previous years, it was achieved after paying out to wheat growers an unbudgeted sum of about $13,000,000, and hence is viewed by the government as something of a triumph.

The public debt of the Commonwealth and the States has mounted within the past five years at an annual average of nearly $100,000,000, but the interest bill has been reduced by refunding and conversion until it now stands at $30 per capita, as compared with $42 during the fiscal year 1930-31. Loans are being paid off by the National Debt Commission at an average rate of $30,000,000 a year.

It is generally realized, however, that no lasting prosperity can be achieved until questions of foreign trade are settled. Economic nationalism the world over has reduced the sale of Australian products and hampered the discovery of new markets, with consequent hard times at home. When Prime Minister Lyons was returned to office last September it was with the promise of a comprehensive program for the stimulation of the export trade. Now, at last, something along this line seems to be about to be done. Trade discussions are being carried on with Italy, France, Germany, Belgium, Czechoslovakia and Japan, and on Aug. 14 it was announced that as a result of Mr. Lyons's visit to Washington early in the Summer an Australian trade mission would soon arrive in the United States.

INDIAN RIOTS

A series of riots swept across India during the midsummer weeks, causing the loss of a good many lives and the destruction of much property. That India's new Constitution (see H. B. Lees-Smith's article on page 39 of this magazine) should have become law at about the same time was probably only coincidence; in no case was there an obvious link between the disturbers of the peace and those poli-

ticians who have fought so strenuously against the new measure.

Renewed trouble broke out on Aug. 10 near Lahore, where several weeks before a bloody Moslem-Sikh riot had resulted in the loss of ten lives. Within a few days police were forced to fire into a mob of anti-tax demonstrators at Shengani, in the State of Loharu, and almost simultaneously another fatal encounter took place near Phenera, in the Province of Bihar. On Aug. 25 fighting between Moslems and Hindus in Secunderabad, in the State of Hyderabad, resulted in the loss of several lives and the arrest of 100 persons. In the meantime British troops and planes stationed in the Northwest Frontier Province continued their campaign against the rebellious Mohmand tribesmen who have for years been causing much trouble. Dispatches from Simla on Aug. 27 indicated that more than sixty natives had been killed in recent engagements.

Bengal, so long the scene of terrorist activities, has been in recent months comparatively quiet. Figures given out in the Provincial Legislative Council early in July reveal at least one reason why. Eighty terrorists are confined in jails, 1,468 in concentration camps, 229 in the Andaman Islands, 966 in homes, villages or specified areas, and one in a sanatorium. The Legislative Council on Aug. 26 passed without a division the Bengal Public Security (Extending) Bill, which validates for another three years the extraordinary anti-terrorist powers already exercised by the government under the Security Act of 1932.

The French Emergency Laws

By FRANCIS BROWN

FRANCE has continued its struggles to escape from the economic morass in which the nation has been floundering for many months. Whether the policies adopted will accomplish this end is a matter of general dispute, while constantly increasing complications have made the position of the Third Republic still more uncomfortable.

In early August the disorders which had broken out in Toulon and Brest after the publication of government-decreed wage cuts died away. No more were cries of "Hang Laval!" heard in the streets and the "Internationale" was temporarily forgotten. France, it was said, was again calm—but discontented. Though the industrial elements were relatively quiet, the farmers were loud in their demands for higher prices. At mass meetings of farmers held in Northern France throughout the month were heard all sorts of wild speeches threatening violent action unless government aid were forthcoming.

It was in such an atmosphere that President Lebrun, speaking at Metz on Aug. 11, appealed for an end to domestic dissension. "Enough of brandished fists, black looks and words of hate!" he cried. Shortly before, Premier Laval had called together the Prefects of France to defend and explain to them the second series of emergency decrees the Cabinet was about to issue. Declaring that "it is

the fate of the régime and the life of the country that are at stake," he insisted that the Prefects help in making the decrees effective.

The new batch of decrees was intended to balance those previously issued for the purpose of establishing budgetary equilibrium through wholesale economies. The second series could be grouped under four general headings: Revival of business and employment, reduction of the cost of living and increased aid to the farmers, protection of investors and equalization of the burden of deflation.

The majority of these decrees were published in the *Journal Officiel* on Aug. 9, but others amplifying them appeared at intervals during the remainder of the month. Unemployment was singled out for direct attack through an expanded and immediate public-works program. Grade crossings are to be abolished, dykes are to be built and arterial highways are to be extended and improved. Since much of this work must be in the hands of local authorities, loans at low interest will be made to the communes by the Paris government. To clear up any doubts as to the extent of this endeavor, M. Laval conferred with delegations from the municipalities and explained to them exactly what the government had in mind.

As a means of encouraging foreign trade, which in the first seven months of 1935 hit the low point for the post-war period, an economic committee under Charles Rist, honorary governor of the Bank of France, has been created. Its principal work is to be in connection with tariffs and quotas. While agricultural quotas are almost certain to be retained, it is generally expected that in most other categories tariffs will be substituted. The committee, in addition to its work in this field, is to act in an advisory capacity upon all economic problems.

Though the matter of an easy-credit policy is outside the Cabinet's extraordinary powers, the government has been urging the need for cheap money and for adequate credit. Apparently the Bank of France is willing to cooperate, for through Jean Tannery, its governor, the bank has sought to end the hoarding that is so general throughout the country.

Perhaps the Ministry's most striking decrees were those in regard to price-fixing. While M. Laval was reputed to have said that if necessary he would regulate the price of everything—"from sardines to cement"—the actual determination of prices was left in the hands of the Prefects, who were empowered to determine the maximum retail price of meat in their districts and to fix other prices by moral suasion.

In Paris, for example, a conference between the butchers and the Prefect of Police led to a 10 per cent cut in the cost of veal, mutton, beef and so on. In some centres prices were lowered as much as 30 per cent. But meat is not the only commodity affected. On Aug. 25 it was announced that in Paris the following reductions would become effective: Lentils and dried vegetables, 20 per cent; macaroni, 10 per cent; sugar, 3 per cent; coffee, 5 per cent; chocolate, 6 per cent; potatoes, 15 per cent; red wine, 10 per cent. All shops were required to display the price of goods on sale, and the police were charged with enforcing this order.

The government in the decrees published on Aug. 9 promised lower fertilizer costs to the farmer and also reduced land leases and mortgage interest by 10 per cent. At the time it was not known how much more was to be done for the farmer, but the growing

agitation in the rural districts forced the government to show its hand.

The basic problem in agriculture is the low price of wheat, which has fluctuated around 50 francs a quintal although it is estimated that wheat costs the farmer from 75 to 100 francs a quintal to raise. (A quintal equals 2.838 bushels.) Farmers have demanded that the government take whatever action might be necessary to guarantee a price of 100 francs a quintal.

The Bank of France at the request of the government agreed on Aug. 15 to assist the Agricultural Credit Corporation with advances to farmers. Although the price of wheat began to rise these advances were fixed at a maximum of 40 francs a quintal for wheat that was not destined for storage. Should the price continue to rise the loan might be increased. The Minister of Agriculture has also lowered the amount of stored wheat which millers are obliged to use, thereby making it easy for the farmers to dispose of this year's crop. These measures, it was hoped, would ease the tension in farming circles.

The remaining decrees were less spectacular. They related to changes in the bankruptcy laws, stock-holding, pensions, bondholders with small incomes and special taxes upon public contractors.

How effective these decrees and those which preceded them in July would be in restoring prosperity, it was too early to say. Interested groups of all sorts found fault with what the Laval Ministry had done, and the Opposition parties were planning to make political capital out of the government's policy. The moderate view was perhaps best expressed by the London *Times:* "Criticism of details or of individual decrees might be easy but would be entirely out of place. The scheme must be judged as a whole and judged by its results in practice. It commits the State to interference on a wholesale scale in the mechanism of private business, but the interference will be justified if it saves the State from bankruptcy and contributes to the restoration of French prosperity."

If M. Laval does succeed in restoring French prosperity, he will have done so none too soon. During the second quarter of 1935 the sales-tax index, which is considered an excellent barometer of business conditions, fell to 88, compared with an average of 99 in 1934 and 109 in 1933. Coal production in the first six months of 1935 was 1,250,000 tons below the total for the same period in 1934. When to this report is added another showing a 14 per cent decline in output since 1930 and a 25 per cent reduction in the employment of miners, it is understandable why mine-owners have protested against the continued importation of foreign coal. Finally, the industrial production tax in June fell to the index figure of 92, a record low.

All these statistics indicate the need for haste and for far-reaching measures. Those opposed to M. Laval and the interests he represents insisted that the measures, however quickly put into operation and however far-reaching, were wrong in principle and bound to fail. These divergent views were expected to be fully aired when Parliament reassembled in October.

DEATH OF BELGIAN QUEEN

All Belgium was shocked by the death on Aug. 29 of Queen Astrid in an automobile accident near Lucerne, Switzerland. King Leopold, who was driving the car at the time, was only slightly injured. The young Queen's body was brought to Brussels, where

on Sept. 3 with regal pomp and ceremony it was buried beside the late King Albert in the royal crypt of Notre Dame de Laeken.

This public tragedy overshadowed for the moment the nation's slow progress toward recovery. By the middle of July the upturn which followed devaluation of the belga last March seemed to have halted. Unemployment, after dropping from 220,000 to 104,000, remained at the lower figure. Industry as the Summer wore on became somewhat hesitant, although metals had orders large enough to sustain confidence. To combat unemployment and to assist business the government, according to an announcement by the Minister of Public Works on Aug. 23, will spend the 3,500,000,000-franc profit from devaluation on a three-year public works program. As an aid to foreign trade the Belgian Government has been negotiating trade agreements with the Soviet Union and Australia.

The danger of international conflict was reflected during August in various actions of the Belgian Government. A royal decree published on Aug. 22 required licenses for the export of arms and munitions. A few days later the Ministry of War forbade all Belgian reservists and army men on leave to volunteer for service in a foreign army. In this regard it was recalled that Belgian officers have for some time been serving as military advisers of the Emperor of Ethiopia.

Germany Reduces Unemployment

By SIDNEY B. FAY

ONE of Hitler's chief aims—the reduction of unemployment in Germany—has been pursued so steadily that at the end of July the number out of work was 1,745,000, as compared with the record high of 6,000,000 at the end of January, 1933, when Hitler assumed control.

There are, of course, many who pooh-pooh the figures and charge that they are manipulated to convert "visible" into "invisible" unemployment. The official answer to these skeptics is that all other economic curves—those of industrial production, savings deposits, stocks, retail turnover of consumption goods and even luxuries —likewise have been turning upward. Furthermore, it is pointed out, the number of employed persons has increased even more rapidly than the number of unemployed persons has decreased, having risen from 11,500,000 in 1933 to 16,500,000 in July of this year.

But although the total national income has increased, the per capita earnings have decreased, owing to the spreading of work among a larger number of men and the shortening of hours. In the Ruhr, for instance, the number of non-working days in the month and the low pay per working day have made it necessary for the National Socialist Welfare Organization to begin an allowance system which virtually amounts to public charity. The low wages are subject also to numerous organizational levies and taxes, and suffer from rising

prices in such commodities as raw materials and foodstuffs.

In spite of price regulation, there is still a wide spread between what the peasant, for instance, receives for his eggs and what the city consumer has to pay. There is, therefore, a tendency on the part of the peasant not to bring his eggs to market and thus to cause a shortage in the cities. Yet there has undoubtedly been a genuine improvement in the unemployment situation, and this goes far to explain why the German people, in spite of audible unrest and dissatisfaction, continue to accept the National Socialist régime.

But this unemployment reduction has been expensive. Everywhere in Germany there is an enormous amount of building going on, but most of it is paid for directly or indirectly out of the public funds. Berlin, for instance, gives the impression of experiencing a great building boom, while in the country districts one sees huge barracks going up as part of the rearmament program. Nearly 67 per cent of all current investments come from the public purse.

Although no full budget statement was issued this year, it has been estimated that the National Socialist government has spent on its labor creation and rearmament programs a minimum of 17,000,000,000 marks (at current rates the mark is 40 cents), raising the total public debt to a figure not far from 40,000,000,000 marks. It has borrowed on its future income for three or four years to come by various forms of short-term indebtedness, which must be consolidated into long-time obligations. But it needs to borrow still more, and as money cannot be had abroad, it must be found within Germany. Hence, Germans are now being urged to save more money and put it in the savings banks, from which the government may then borrow it.

In a speech at Koenigsberg on Aug. 18, Dr. Hjalmar Schacht, Germany's economic dictator, discussed the financing of the labor and rearmament programs, and perhaps as a hint to some of his colleagues who are believed to spend extravagantly, said: "The size of the sums may here and there lead to the mistaken view that a million more or less does not make any difference. But at a time when it is impossible to raise wages, every cent of unnecessary expenditure makes more difficult the financial situation, and I cannot appeal too strongly to the sense of responsibility of all disbursing officials."

Dr. Schacht also issued a warning against all illegal anti-Jewish attacks (which of course disturb trade and tend to frighten away tourists) and other breaches of discipline. "Our tasks," he said, "must be solved under the leadership of the State, not by the undisciplined action of individuals. Since our economic system is bound up closely with that of other countries, it cannot be a matter of indifference to any one of us what are the consequences at home and abroad of these disturbances. It is indispensable for the conduct of our economic policy that there shall be absolute confidence in the reign of law in Germany. In Germany no one shall be without his legal rights."

This part of his speech no doubt had reference to recent attacks on Jews on the Kurfuerstendamm and to the speeches delivered by Julius Streicher to crowded meetings in Berlin. Not since the Marburg speech of Herr von Papen shortly before the purge of June 30, 1934, had there been such outspoken criticism by a Cabi-

net Minister. It indicated the wide divergence between Right and Left in the government.

As was foreshadowed in his Koenigsberg speech, Dr. Schacht announced on Aug. 24 that 500,000,000 marks in ten-year treasury notes would be issued on a loan raised by a consortium of central banks under the leadership of the Reichsbank. Interest was fixed at 4½ per cent, and the price to the public was put at 98¾. After 1941 one-fifth of the total amount will be redeemed annually. This form of borrowing—medium-term treasury notes which assure the lender that he will get his money back in ten years or earlier—has proved more popular than long-term bonds. Another 500,000,000 marks will be raised by bonds issued to savings banks at substantially the same price and the same rate of interest. As the savings banks lent that sum last Spring without endangering their liquidity, they could do so again, for their deposits exceeded 13,000,000,000 marks, an increase of nearly 3,000,000,000 during the two and a half years since the National Socialists assumed power.

Dr. Schacht also assured the public in his Koenigsberg speech that there would be no devaluation of the currency, that every one would get back the full value of whatever he lent the government. This assurance was repeated by Count Schwerin von Krosigk, the Reich Minister of Finance, at Leipzig on Aug. 25. Other countries, he said, might attempt to improve their foreign trade by devaluing their currency, but Germany's special conditions would not permit it. Increased government borrowing and expenditure, however, lead toward inflation and consequent devaluation of money, and in Germany will probably make themselves felt by raising the general price level, in spite of vigorous regulations.

CHURCH AND STATE CONFLICT

Early in August it was estimated by foreign correspondents that thirty-six Protestant pastors were under sentence of banishment from their parishes by order of the German political police, and that twenty-four others had been ordered to refrain from preaching or taking part in services. During the month several more were removed from their parishes for words or acts alleged to be hostile to the State. All pastors who lose their parishes in this way are deprived of all or at least 40 per cent of their salaries.

In Silesia Bishop Zaenker sought to establish his own Confessional Opposition Synod in place of the official German Evangelical Synod. Against the express warning of the State authorities his Synod elected a presiding officer and declared itself representative of the Silesian Protestants. It was ordered dissolved on Aug. 18. About the same time the Governor of the Province of Hanover ordered his officials and employes to give up their membership in all Confessional Protestant social or professional organizations, to withdraw their children from Confessional youth organizations and to limit their religious activities to strictly devotional matters.

The Protestant clergy's stubborn resistance appeared to have been diminished little by these measures. The Pastors Emergency League, consisting of leaders of the Berlin and Barmen Confessional Synods, sent a round-robin to the Opposition clergy, asking them to refuse to cooperate in any way with the new Church Ministry, of which Hans Kerrl was appointed head in July. Confessional leaders

regarded this new institution as simply another effort to create a government-controlled absolutism in the Protestant Church. Pastors banished from their parishes or forbidden to preach were requested to return to their pulpits in the near future to force the government either to arrest them or to confess that it had overstepped its prerogatives. However, as Dr. Kerrl took a vacation during August the conflict did not come to a head.

Against the Catholics a more vigorous campaign was waged. Several more monks and seven nuns were heavily fined and condemned to short terms of imprisonment for smuggling money out of Germany to pay the obligations of their organizations. A Summer camp of Catholic youths at Hungernberg in Northern Bavaria was broken up by Storm Troops as illegal under the laws prohibiting the churches from any activities except those strictly "religious." A sensation was caused by the discovery that members of the Muenster branch of the Kolping Society had distributed propaganda attacking Catholics. This society, founded in 1849 by a devout Catholic named Adolf Kolping, had long confined itself to welfare work among the Catholic poor. But a few Muenster members decided that if they circulated violent attacks on Catholics, Nazis would be blamed for them and Catholic resistance thus strengthened. Their leaders, however, quickly disavowed and expelled them, and the State dissolved the local organization and confiscated its property.

The most vocal of the speakers against the Catholic Church is Alfred Rosenberg, head of the Cultural Department of the National Socialist party and author of the 700-page attack on the church entitled *The Myth of the Twentieth Century.* Speaking on Aug. 18 he accused Catholics of secretly abetting the foreign Jewish boycott. He said that it might be necessary to set up a court to investigate the unpatriotic machinations of Jews, Catholics and Bolshevists, who, he alleges, were responsible for Germany's defeat in the war and for all the humiliations which followed. At the same time, of course, he declared that National Socialism has no desire to limit freedom of conscience; it merely insists that the clergy, both Catholic and Protestant, refrain from all political activity and from every kind of hostile attitude toward the Nazi State.

All Jewish cultural activities in Germany, it was announced on Aug. 18, are henceforth to be united in one officially recognized Jewish Cultural Organization. To exercise their profession all non-Aryan doctors, writers, actors, &c., must belong to it or to one of its affiliated societies. The new organization accepts responsibility for its members and will in return receive the full protection of the police and the State.

AUSTRIA AND THE NAZIS

Austria's chief preoccupation during the Summer was with the danger to her independence in case of an Italo-Ethiopian war. Austrians feared that with Italian troops engaged far away in Africa and with Great Britain and France at loggerheads over the Mediterranean situation, the Nazis might seek to gain control. But the fears appeared to be without justification. Germany was silent on her foreign policy, content to stand on Hitler's declaration of May 21 that the Reich had no intention of interfering in Austria.

Italy's War Fever

By WILLIAM E. LINGELBACH

HAS Mussolini crossed the Rubicon? By his abrupt rejection of the proposals of France and Britain at Paris to settle the Italo-Ethiopian dispute by peaceful methods, by his open defiance of the two powers and of world sentiment as represented at Geneva on Sept. 4, and above all by mobilizing the greatest army ever assembled in peace time, Mussolini has apparently decided upon war.

Two aspects of the situation definitely emerged during August from the welter of discussions and negotiations: First, the unfortunate collusion and commitments of the other powers in the imperialistic designs upon Ethiopia and the consequent supineness of Foreign Offices in the face of Italy's aggressive assertion of her "right to expand," and, second, the methodical preparation for war by fascism, not only in building up the army and navy but in the systematic militarization of the nation.

"War," says Mussolini in his article in the *Italian Encyclopedia*, "brings out all human energies to a maximum tension and places the seal of nobility on the people who have the courage to face it." In the schools, on the platform, in the press and over the radio the Italian people have been indoctrinated with a militant patriotism which is responding with fervor and enthusiasm to the Fascist demand for sacrifice and heroism. That the threat of foreign intervention or the exercise of sanctions under the aegis of the League of Nations has intensified rather than dissipated this spirit is only natural. Nation-wide acclaim greeted the sentiment so curtly expressed by the *Giornale d'Italia,* "Sanctions mean war!" How much of the enthusiasm and excitement is due to chauvinism is hard to tell.

Italians have not lacked in processions with blazing banners, streets decorated from end to end with the national colors—red, green and white—and prolonged shouts of *"Viva il Duce!"* as soldiers by the thousands marched past to embark for Africa, or to entrain for the mock warfare in defense of the Brenner Pass and Austrian independence. From Turin, Milan and Venice in the north to Rome, Naples and Palermo in the south, every Province, every city, town and hamlet felt the touch of Mars during the hot August days. About 1,000,000 men were mobilized, one-third for a real war in the difficult and dangerous lands of Ethiopia, and between 500,000 and 600,000 for the grand manoeuvres on the Austrian front under the direct command of Mussolini and the King.

This tremendous display of the power and mobility of Italian arms was to serve, so said *Il Popolo d'Italia,* as a warning to Germany, and an assurance to France and Great Britain that Italy, despite her African venture, was still a strong factor in European affairs. Of especial interest at the manoeuvres, from the military point of view, was the great mobility and speed of the "steel cavalry," the effectiveness of the air corps and, more particularly, a new bombing

plane whose performance at Spezia on its trial trip surprised even the specialists.

The costs are tremendous. Nevertheless, both the press and the government assume that the nation will respond to any sacrifice it may be called upon to make. In time of war this is apt to be true. Certainly in the case of Italy today the maintenance of the national credit under the heavy strain of the demand for war materials depends upon willingness to pay higher and still higher taxes and to accept a further lowering of the standard of living. Literally thousands of tons of scrap iron, copper, cotton, coal and rubber, quantities of airplane motors, automobiles, ships and transports, not to mention munitions of every sort, together with food, cereals, bread, beef and fruit have to be bought for the armies.

Since the suspension of the 40 per cent gold coverage clause in July the drain on the gold reserve has been continuous. According to a statement of the Bank of Italy, the ratio of gold reserves on Aug. 10 to the total note circulation and sight liabilities had fallen to 36.7. The bank's gold stock diminished by $16,469,260 during the first week in August. Hence, although the statement of the official communiqué issued on Aug. 18 that Italy had paid much of her commercial debts is correct, it is being done at the expense of the nation's credit. On Aug. 21 the lira sold down to 7.62 cents, as against its parity of 8.22, but it has since remained steady within these limits. During the month the discount rate of the Bank of Italy was raised from 3½ to 4½ per cent, as a result chiefly, so officials claim, of the unusual demands of industry which had risen 26 per cent above May, 1934. In the effort to steady the financial structure government control has been consistently expanded.

The import monopoly set up in July became operative on Aug. 1 for coal, coke, copper, tin and nickel. Imports of unnecessary commodities have been restricted or stopped entirely, and the unfavorable trade balance for the first half of the present year was reduced by over 45,000,000 lire. Bumper crops, amounting in many instances to an increase of 20 per cent over last year, mark a steady advance in the program of making Italy independent of food imports. Something is also being accomplished in the matter of fuel by the intense development of the coal mines in Istria and Sardinia.

Four of the resolutions adopted at the extraordinary Cabinet meeting summoned by Mussolini on Aug. 28 at Bolzano had to do with economic matters. "The steps taken to guarantee the nation's economic resistance," said a prominent authority, include obligatory conversion of foreign credits, limitation of the profits of corporations, a 10 per cent tax on dividends and interest and, finally, the transformation of automobiles from gasoline to charcoal gas burners.

Reports state that the fleet has been mobilized and moved to the Eastern Mediterranean. The Island of Rhodes has been transformed into a great hospital and munitions base, while transports capable, so it was announced, of carrying 20,000 troops and equipment with each sailing, are active night and day. The Ethiopian expedition took its first tragic toll of persons high in the Fascist councils when on Aug. 7 the great plane carrying Luigi Razzi, Minister of Public Works and close friend of Mussolini; Raimondo Franchetti, the famous African explorer and authority on Ethiopia, and five others, crashed on its way from Cairo to Asmara in Eritrea, and burned with the loss of all on

board. Rumor has it that important documents relating to secret treaties with Ethiopian chieftains were also burned.

CONSERVATISM RULES SPAIN

Before the Spanish Cortes adjourned in August for the Summer vacation it had made considerable progress with the program for constitutional reform. Of the different proposals, those dealing with agrarian matters aroused the most opposition, for they would set aside certain liberal features of the land reforms of the previous Cortes which provided for the confiscation of lands of the grandees and their distribution in small holdings to the agricultural workers. The principle of indemnity for the landlords was once more introduced.

During the discussions of the measure in its early stages the Deputies of the Left withdrew from the Cortes in angry protest. Even in their absence opposition to the bill was so strong that the government offered a number of changes in the interests of the peasantry, providing for distribution of land to the agricultural workers on easy terms and assuring them of permanent occupation. On the question of indemnity for the owners, however, Martinez de Velasco, the leader of the Agrarian bloc, declared his party stood united and would make no concessions.

The proposals of the Cortes on the agrarian law bring out clearly the strong swing to the Right reflected in the victory of Catholic Popular Action and its associated groups in the 1934 elections. In the Spring of 1931, when the republic was established, radical Republicans and Socialists were swept into power. With complete control of the Constitutional Cortes, they drafted a Constitution apparently much more radical than the public desired.

A swing back to conservatism began which gathered strength steadily till the elections for the present Cortes, in which the parties of the Left were signally defeated and the control of the government passed to the Right. In order to win Catholic Popular Action to the support of the new republic, the veteran leader Alejandro Lerroux agreed to a coalition government with himself as Prime Minister, to a program of constitutional revision in the direction of the Right and to the vigorous suppression of revolutionary activity.

Since the Constitution provides that after it has been in force four years—which will be on Dec. 9, 1935—amendments may be made by an absolute majority vote of the Cortes, the government is preparing the way for revision with a view to laying the proposals before the nation as the major issues in the election of the new Cortes.

In the meantime the rival parties are mobilizing their forces and appealing to the public. Addressing a large political gathering at Pontevedra in Galicia, Premier Lerroux again expressed his satisfaction at having won the moderate parties of the Right to the support of the republic, thus greatly broadening its basis. For their part, the three parties of the Left—the Left Republicans, the Republican Union and the National Republicans—have announced a common platform. The Communists and Anarchists consistently refuse to take part in elections or in any other political activity in what they call the capitalistic State.

Anxious to bring the strong Esquerra party of Catalonia back into the political arena, ex-Premier Azaña issued a solemn warning that while

he approved of autonomy for the different regions of the nation, he would not endorse separation. Unless it was abandoned he would withdraw his support.

As usual, the most effective political campaigning seems to have been done by Gil Robles, Minister of War and leader of Catholic Action. Denying all personal ambition, he brushed aside accusations that he was reorganizing the army in preparation for his own dictatorship. For the present, he declared, the government must use the extensive economic powers conferred upon it by the Constitution to revive the economic life of the nation. He wishes to reform the Electoral Law, protect the national industries, promote cotton growing, revise the Agrarian and Education Laws and bring about a number of military reforms.

Commercial conditions continue to be unfavorable, the adverse trade balance mounting steadily. The first half of the present year showed an unfavorable balance of imports over exports of 127,500,000 pesetas as against 115,000,000 for the same period a year ago and 37,000,000 for the first six months of 1933. (The peseta is quoted at the present time at about 13.66 cents.)

Trade relations with France have grown steadily worse since the breakdown in July of negotiations for a new commercial treaty. More and more vexatious restrictions were imposed during August in the commerce and communication between the two republics. Negotiations for a new commercial accord with Great Britain were also broken off early in August. Difficulties had arisen over the application of Britain's protective system to Spanish commodities. Spain retaliated by withdrawing the 35 per cent rebate on the duty on British automobiles.

Greece Plans a Plebiscite

By FREDERIC A. OGG

GREECE awaits the plebiscite that will determine the nation's future form of government. Though the mass voting is not scheduled until Nov. 15, recent weeks have been filled with heated debate. Sharp division over the proposed restoration of former King George II cut across all classes and professions, stirring the older generation into impassioned defense of the allegiance of its youth and inflaming the young with a desire to rid Greece forever of the republican-monarchist feud which has marred the past twenty years.

Rumor had it in early August that the former King, disappointed at not being able to return under present conditions, was seeking a reconciliation with ex-Premier Venizelos, now in exile under a death sentence. Amnesty, it was said, would be granted to all those condemned or accused in connection with the March revolt, while the newly elected National Assembly would be dissolved and fresh elections held on a basis of proportional representation. In case the Liberals obtained a parliamentary majority, Venizelos himself would be asked to form a Ministry. The scheme sounds fantastic, though there are good rea-

sons for believing that the report is correct. Certainly, the ex-King himself has been the most moderate member of the royal house in pressing for a restoration. "I will never let myself," he declared late in August, "be manoeuvred into becoming a party leader, for that was my father's great mistake." All efforts to induce him to seek or accept restoration by a military coup or even to leave London in order to be nearer the scene of action were unsuccessful.

Meanwhile, on Aug. 19, Colonel Zezas, director of the Greek Secret Service, reported to Acting Premier Kondylis that, during a stay in the United States, former Premier Alexander Papanastasiou had collected from Greeks in this country and transmitted to the homeland a considerable amount of money to be used in the republican cause, especially for financing the republican campaign for the coming plebiscite.

Political unrest has stimulated labor disturbances, and during a single week in August the country was menaced by two attempted general strikes. The first occurred in Crete, where a wave of protest against the movement for a monarchist restoration culminated at Heraclion on Aug. 5-6 in disorders of a revolutionary nature. After street fighting, which resulted in several casualties, the government forces commanded by General Bakoupoulos restored order, though not until after some thousands of workers had been given a 15 per cent wage increase.

The second attempt took place in Greece proper, where the National Federation of Labor, influenced to a considerable extent by Communist agitators, called a general strike for Aug. 13. To frustrate the plan, Acting Premier Kondylis procured the passage of a law making arbitration of labor disputes compulsory. Eventually the strike simmered down to a two-hour walkout, and when the time arrived dissensions among the Labor leaders had so far weakened the effort that less than half the expected number actually left their jobs.

POLISH ELECTIONS

By decree of the President of Poland elections to the Sejm—the first to be held under the Constitution of March 23, 1935—took place on Sept. 7, those to the Senate on Sept. 15. The theory of the new system is that the best men in each electoral district will meet and select the ablest candidates, from whom the voters will then choose as Deputies those whom they most trust. In line with this concept, Premier Slawek and other government leaders appealed repeatedly in their campaign speeches for a non-party Parliament consisting of men whose only claim to enter the nation's Legislature was their lifework and the confidence of their fellow-citizens.

Candidates for the Sejm were selected throughout the country on Aug. 14 in each constitutency by an electoral committee consisting of representatives of municipalities, chambers of commerce, labor federations and other social and professional organizations. Party labels were, to be sure, excluded. Most of the persons named, however, were former Deputies of the government bloc or other persons of unquestioned loyalty to the régime. A substantial government majority was thus assured before the final elections.

CZECHOSLOVAK LAND REFORM

A report recently published in Prague discloses the way in which the great estates of Czechoslovakia have been distributed among small proprietors. A popular slogan among the Czechoslovak legions and the

masses of the war-born republic was "The land to the people"; and one of the earliest acts of the new nation's Parliament—on June 11, 1919—set up a Land Board charged with the difficult task of carrying the principle into effect.

Having fulfilled its main purpose, the board was dissolved on May 1, 1935, and the work that remains, chiefly that relating to credits, financial legislation and the registration of mortgages under the land-revenue system, was taken over by the Ministry of Agriculture. From the board's report, it appears that the reform affected a total of 1,913 estates, involving 10,000,000 acres, or 28.6 per cent of the entire area of the country and 27 per cent of the strictly agricultural land.

Of this vast area, some 4,395,000 acres have been transferred to new owners, chiefly to small holders, and an appreciable amount to the State itself for the establishment of national forests. An almost equal area—4,122,500 acres—was left to the original owners, while 1,632,500 acres are still awaiting distribution.

The 65,000 workers employed on the large estates were compensated by a grant of land or by employment on the medium-sized farms created by the reform. For those who preferred to be compensated in cash, an amount was fixed according to the length of service and the kind of work done. The necessary 358,000,000 crowns was secured by a tax of 15 per cent on the property of persons benefiting from the reform. (At current rates the crown is worth about 4.18 cents.)

A NEW YUGOSLAV PARTY

Backed by the Yugoslav Regency, and particularly by Prince Regent Paul, the Stoyadinovitch Cabinet has from its inception pursued a more liberal policy toward Croatia than has been known in many years. Therefore, from a Serbian point of view, the new régime is breaking down, notwithstanding the passage without untoward incident of an enthusiastic observance of the seventh anniversary of the death of Stefan Raditch. Never sympathetic toward the Croatian policy of his chief, War Minister Pera Zhivkovitch, the country's "strong man," complained bitterly to Prince Paul on Aug. 19 that the Croatian populace had become demoralized, disregarding police orders and generally flouting governmental authority. He urged the revival of a strong-arm policy. Clashes have since been reported to be increasing daily.

Several reasons for the tense situation are assigned. One is the formation on Aug. 19 of a new political party—the Yugoslav Radical Union—with Premier Stoyadinovitch as president and with a following drawn from former Serbian Radicals, Slovene Clericals and Bosnian Moslems. This party is pledged to the maintenance of Yugoslav unity, even though willing to concede the Provinces limited autonomy. From this party Croat Ministers and politicians have been definitely excluded.

Another source of discontent is the belief that, though the Stoyadinovitch government was formed ostensibly only to conduct affairs until new elections could be held under the direction of a neutral Cabinet, the new party is to become the "government party," with whose support it is planned to perpetuate the existing régime indefinitely. In protest against the formation of the new party, three Croatian members of the Cabinet resigned on Aug. 23. Their places were filled promptly—in one instance, by another

Croatian—and the general situation remained unchanged.

THE VIEWS OF KING CAROL

After five years on the Rumanian throne, King Carol, once the royal playboy of Europe, has settled down to the serious business of being a king—in a politically strategic land where kingship still counts for a good deal. Views which he expressed with characteristic frankness in the course of the first formal interview which he has given since 1930 have therefore a genuine significance.

Discussing domestic policies, he admitted that he had been accused of following the principle of "divide and rule," but declared that, considering the factional strife with which the country was cursed when he came to the throne, no course was open to him except to make himself supreme arbitrator and insist that his decisions be accepted and adhered to. "If I wished," he added, "to follow the example of other sovereigns and political leaders, I could easily be dictator of Rumania. But the Rumanian people want neither autocracy nor tyranny. Certainly I shall never attempt to force a dictatorship upon them, nor shall I ever abolish Parliament and other free institutions, as has been done in other countries."

Asked if he considered war imminent, the monarch replied: "I do not see any real crisis for some years. A great war breaks out suddenly, not when there is a great deal of talk about it. While I do not think any nation wants war, I believe it is inevitable. It is a part of life."

Nazism is reported to be steadily gaining ground among the German minority of Rumania, especially among the youth, and government measures to dissolve Nazi organizations have been countered by passive resistance and sabotage. On Aug. 26, 20,000 peasants attended a meeting of the Rumanian National Fascist party held at Kishinev. A German Nazi delegate, Friedrich Geber, was arrested and found to be carrying funds supposed to be for use in propagating the cause. Street clashes in Bucharest between Young Nazis and the police have occurred with increasing frequency.

UNREST IN ALBANIA

The darker side of the Albanian political situation was once more brought to view on Aug. 15 when General Leon de Ghilardi, Inspector-General of the Army, was assassinated near Avlona. Several persons suspected of instigating the crime were arrested, among them Sekredi, a newspaper man, and Noredin Bey Vlora, a politician.

General Ghilardi, an immigrant from Croatia, was a close friend and adviser of King Zog, and, known to be a promoter of friendship with Italy, was bitterly disliked by national extremists who oppose concessions of any sort to that country. Commonly credited with being the principal intermediary between the governments of Tirana and Rome, he was naturally a shining mark for nationalist hostility, as, indeed, is King Zog himself because of the compromises which he has made with Italy.

After the assassinations local disorders broke out, but they were rapidly quelled when the government ordered stern repressive measures. Reports from Athens and Belgrade indicated that all Southern Albania was being swept by a general rebellion. The Greek and Yugoslav capitals, however, are untrustworthy sources of information concerning Albanian happenings, both because of their dislike of King Zog's régime and because

of territorial aspirations. A rigid press censorship has left the world in some uncertainty as to what is actually going on in the Albanian fastnesses, but it is reasonable to accept the official denial of general rebellion as substantially correct. The reality of a revolt at Fieri, with which the assassination of General Ghilardi had some connection, was established by the execution on Aug. 24 of eleven gendarmes implicated in the affair.

ON THE BULGARIAN FRONTIER

A fresh source of anxiety in the Balkans is supplied by the Turkish policy of fortifying the Bulgarian frontier. In the early Summer, the Turkish War Ministry ordered the fortification of Kirklareli (formerly Kirkkiliseh), a place commanding the southern outlet of the Fakhi defile over the Istranja Dogh range and the scene of important operations during the Balkan War of 1912. In reply, a war council at Sofia on Aug. 2, presided over by King Boris and attended by leading officers of the Bulgarian Army, decided on the immediate construction of permanent fortifications around the Southern Bulgarian town of Haskovo. The continued concentration of Turkish troops along the Turko-Bulgar border has also caused uneasiness in Sofia. Not only, it was said, were troops camping close to the border, but extensive defense works were under construction.

Finland's Diplomatic Position

By RALPH THOMPSON

ALTHOUGH the Scandinavian and Baltic States, small and isolated, seemed to be well outside the mid-Summer diplomatic tangle in Europe, this was actually not the case. Whatever international arbitration could or could not accomplish in the Italian-Ethiopian quarrel meant a great deal to Norway, Sweden and Denmark, stanch supporters of the League since its earliest days. Nor could the results of deliberations at Geneva fail to affect Germany and Russia—and, as a result, Estonia, Finland, Latvia and Lithuania, buffer States against a German drive to the East or a Soviet counter-drive to the West.

For this reason significance attached to two meetings held in Northern Europe in August. During the middle of the month Colonel Josef Beck, Polish Foreign Minister, paid a four-day official visit to Helsinki, the Finnish capital. On Aug. 29 the Foreign Ministers of Finland, Norway, Sweden and Denmark concluded a brief conference at Oslo.

Colonel Beck's mission was ostensibly one of courtesy only—to return the call made by the Finnish Foreign Minister in Warsaw last year. Yet many observers believed that matters of great importance had been discussed. Would Finland, known to be more friendly to Germany than were her small Baltic neighbors, be drawn into an anti-Soviet bloc built upon the German-Polish non-aggression pact of 1934? Would this foreshadow a settlement of Poland's long-standing dispute with Lithuania over Vilna, so that the Baltic entente might join hands with its larger neighbors to present a solid front against the Soviet Union? Fin-

land had had reasons to be grateful to Germany for assistance rendered against Russia in 1918, and in more recent years had shown an increasing fear of what the Conservative press of Helsinki termed Russia's threatening gestures. Could Colonel Beck's presence persuade the Finnish people that their best chance of survival lay in an alliance against communism?

No official answer to these questions was forthcoming, but it was generally believed that when the Polish visitor returned home it was without any positive assurance of Finnish support. According to the *Upsala Nya Tidning*, a reliable organ of Swedish opinion, the majority of Finns remained hostile to the principles and policies of Nazi Germany, and, except for a refractory nationalist element, were quite content to maintain their association with the Scandinavian countries. This belief was strengthened some days later when Finland's Foreign Minister appeared in Oslo to take part in the Scandinavian conference held there.

According to the official communiqué, the four northern representatives discussed the Ethiopian trouble and decided to "support every effort to guard the peace and to uphold the legal principles of the League." Yet while reaffirming their common faith in international negotiation, the northern powers had not failed to keep their powder dry. Sweden, in particular, aroused by the loss of her supremacy in the Baltic as a result of the Anglo-German naval pact and by a report presented to the Stockholm government on Aug. 27, was looking to the question of her arms.

The Stockholm report came from a commission appointed by the government five years ago. It proposed a large increase in Sweden's air strength, an improvement of her land forces and a reduction in her navy—the last recommendation looking toward the eventual abolition of capital ships and a concentration on a light and mobile fleet. The immediate organization of defense under one supreme commander was urged, as was the extension of the compulsory military service age limit from 42 to 45 years. Costs of these changes were put at about $30,000,000.

DANISH FARM TROUBLES

About 40,000 Danish farmers descended upon Copenhagen on July 28 to make known their wants to King Christian and the government. They squatted in the courtyard of the Amalienborg Palace, the royal residence, until the King had addressed them from a balcony and their leaders had presented to Prime Minister Stauning a resolution demanding minimum prices for farm products, lower taxation and a new moratorium on their indebtedness. Then the crowd dispersed.

While the demonstration itself was carried out good-naturedly, subsequent events showed that the farmers were determined to have their way. On Aug. 15 their executive committee, piqued by the failure of the government to take satisfactory action, unanimously resolved to sell their goods to Great Britain on three months' instead of the normal ten days' credit. By this method, it was hoped, the amount of foreign currency available to the government would be greatly reduced; there would be a scarcity of sterling, and under the strain of this scarcity the current ratio of 22.40 kroner to the pound might be lowered. Higher domestic prices would automatically ensue.

At this writing no victory for either the government or the farmers was in sight. On Aug. 22 the National Bank

of Denmark raised the discount rate from 2½ to 3½ per cent, in order to pinch those who were being so generous with their foreign creditors, but this step brought almost as much opposition in official circles as it did among the farmers themselves, for it has long been a government policy to fight the depression with cheap money. The government's case for refusing to raise prices is that the ideal exchange ratio is 20 kroner to the pound, and that the 22.40 ratio, adopted in 1934 in response to agricultural pressure, is as great a concession as the country can afford to make.

MEMEL ELECTORAL LAW

With balloting for the Memel Diet scheduled to take place on Sept. 29, special interest attached to new electoral laws published by the Lithuanian Government on Aug. 17. While the measures were effective in Lithuania itself as well as in Memel, there could be no question as to their purpose, namely, to disfranchise those Memellanders who for years have returned a pro-German majority to the Diet and thus made cooperation between the Diet and the Lithuanian-appointed government an impossibility.

The new laws denied the vote to naturalized Lithuanian citizens, to those who have adopted Lithuanian citizenship while holding a promise from a foreign nation that their original citizenship may be assumed at a later time, and to members of organizations which have within the past five years been condemned for working against Lithuanian independence or for the alienation of part of the Lithuanian State.

What has been done here seems perfectly clear. Lithuania, knowing that many German citizens assumed Lithuanian citizenship temporarily, on the express understanding that they could recover their German nationality once Memel had been recaptured, decided to spike the scheme. The move was also directed against the members of the German organizations involved in the Memel treason trial earlier in the year.

The great powers responsible for the working of the Memel Statute were to have official representatives on hand during the elections, and presumably thus decide for themselves whether Memellanders were enjoying the "universal, equal, direct and secret suffrage" guaranteed by the Statute. Before that time, however, protests were expected from Germany, whose paternal interest in Memel has been the cause of so much difficulty there in recent years.

ESTONIAN DICTATORSHIP

Estonia has gone still further along the road to dictatorship despite professions of democratic intentions and an intense love for representative government. Late in July *Postimees*, the country's oldest newspaper, was placed under State control because the Cabinet decided that it had been unduly sympathetic toward the political Opposition and unduly critical of government measures. About a month later the Minister of Propaganda announced that the old Parliament would never again be convened and that in its place there would be a national assembly consisting partly of representatives of trade corporations (on the Italian model) and partly of delegates chosen by referendum. A new Constitution was to be drawn up and the present dictatorship provided with legal trimmings.

America and the Comintern

By Edgar S. Furniss

The Congress of the Third International, which concluded its twenty-five-day session in Moscow on Aug. 20, has left an aftermath of disturbance to Soviet foreign relations. While the congress was in session the British, Italian and Latvian Governments protested orally to the Soviet Union against certain of its activities, and on Aug. 25 the United States Government lodged with the Soviet Commissar of Foreign Affairs a strong note of protest based specifically on statements made to the congress by the American delegates.

These statements merely made public what was already well known—namely, that the American wing of the Communist party has in mind a program of assault upon American economic and political institutions. But detailed description gave these plans an appearance of reality and effectiveness that exaggerated their threat to American security, while the slogans of "united front" and "collaboration with liberal movements" adopted by the congress as the keynote of its session lent new emphasis to the American Communist program.

In harmony with these slogans the American delegates outlined in great detail a scheme of "boring from within" the labor and political organizations of the United States, and the speeches of Earl Browder and William Z. Foster made it appear that many of these organizations, already dominated by communistic sentiment, were being skillfully directed by agents of the Third International toward a complete overthrow of the American economic system.

The endorsement of these plans by the congress made the Comintern a party to subversive activities in the United States. Inflammatory comments by *Pravda*, organ of Russian communism, to the effect that "capitalism must be pushed forcibly into its grave" appeared to implicate the party of the Soviet Union in this revolutionary program.

These activities in Moscow were particularly offensive to American conservative labor unions, which were made to appear as a catspaw for the Communists, and it was largely owing to representations of the officials of the American Federation of Labor that the Department of State took action in the matter. The language used in the American note to the Soviet Union was more forceful than is customary in diplomatic exchanges between friendly nations, charging "flagrant violation" of pledges by the Soviet Government and predicting "most serious consequences" if the activities objected to were allowed to continue.

The reply received two days later took the rather unusual form of refusing to accept the American protest. It repudiated the charge that the Soviet Union had failed in its obligations to the United States, and asserted that the Soviet Government could not take upon itself any responsibility for the Communist International.

Secretary Hull, in a rejoinder dispatched on Aug. 31, pointedly reaf-

firmed the position taken in the first note, again charging the Soviet Union with violations of its pledges and demanding that the Soviet Government bring the Communist International under control lest its relations with the United States be "seriously impaired."

The Soviet Government has frequently given assurances to countries other than the United States that it would abstain from subversive propaganda in their territories and these assurances have been accepted as the basis for diplomatic recognition. When it has been discovered that Communist propaganda has nevertheless continued after recognition under the aegis of the Third International and accusations have been made of breach of faith, the Soviet Union has been able to plead innocent on the ground that its government and the Third International are separate and distinct organizations and that the one cannot properly be held accountable for the actions of the other. Since this statement is true in a strictly legalistic sense, it has served as an answer to the charges brought.

But the obligations of the Soviet Union to the United States were far more exacting than any hitherto assumed. Litvinov's letter of Nov. 16, 1933, to President Roosevelt, which pledged the Soviet Government to certain duties in return for recognition, contained a definite promise "not to permit the formation or residence on its [the Union's] territory of any organization or group—and to prevent the activity on its territory of any organization or group—which has as an aim the overthrow of, or the preparation for the overthrow of, or the bringing about by force of a change in, the political or social order of the whole or any part of the United States."

The United States Government is therefore on secure legal ground in charging a violation of pledges in that the Soviet Union permitted the recent Communist congress to convene in Russia for the purpose of preparing plans for revolutionary activity in the United States. It is no answer to this charge to reply, as the Soviet Government does, that it "cannot take upon itself, and has never taken upon itself, obligations of any kind with regard to the Third International." This is precisely the obligation assumed as a condition of diplomatic recognition by the United States.

Of course, the obligation implied in the Soviet pledge to the United States needs only to be stated to make clear that its discharge is a political impossibility. To expel the Third International from Moscow would involve a repudiation by the Soviet Union of its leadership of world communism; it would shatter the unity of the Communist party in Russia and undermine the political control of the Soviet leaders over their own country; it would renounce the creed that lies at the heart of the Soviet program of social reconstruction. Anxious as it is to maintain friendly relations with the United States, the Soviet Government would accept the alternative of a diplomatic rupture rather than take such drastic action against the Comintern.

This must have been understood by both parties to the agreement in 1933, and it must now be fully understood by the Department of State. Unless the United States Government intends to press the matter to the point of severing relations with the Soviet Union, which seems improbable, it must be prepared to accept a compromise. This can be reached through a pacific answer to the American protest followed by steps taken by the Soviet leaders quietly and with-

out acknowledgment to prevent the Comintern from precipitating another controversy of the kind. What is really at stake in the matter is the future of the Third International and of the Soviet Union's relationship to that body; and the Soviet officials have already shown that they find militant international communism an embarrassment to them.

For several years past it has been increasingly difficult for the Soviet Government to harmonize its national policy with the aims and purposes of the Third International. Since 1928 the Soviet program has demanded peaceful relations with capitalistic States and the absence of social disorder within other countries. The Soviet leaders have worked hard during the intervening years to establish such relations throughout the world. They have let it be known that violent tactics by Communists in other countries would injure the Soviet Union. Their concern lest the Comintern disturb their international program was shown by their reluctance to call that body into session. The congress of the Third International was postponed from year to year long after the time set by its own Constitution for its meeting. Even this year there was uncertainty in Moscow whether it would actually be convened.

When the congress could be no longer postponed the attempt was made to tone down the belligerency of its activities and to dissociate Soviet officialdom as far as possible from the revolutionary programs of its constituent parties. The reformist, nonviolent program of the "united front" was substituted for the class war as the objective of the immediate future. Fascism, not capitalism, was presented as the arch-enemy. Early in the session a resolution was adopted ordering the Comintern hereafter "to avoid direct interference in the internal work of Communist parties," a change in Communist organization intended to reduce the responsibility of the central officials for disturbances occurring in other countries.

It was largely because of the Bulgarian Communist Georgi Dimitrov, hero of the Reichstag fire trial, who played a dominant rôle in the congress, that the Comintern went astray from the innocuous course charted for it. Through him the congress went on record as accepting the reformist program only as a temporary expedient and reaffirming the overthrow of capitalism through the class struggle as the ultimate objective of communism.

Nevertheless, it is significant that the policies actually prescribed for the Third International in future years were of the moderate type favored by the Soviet officials. The congress took action to perpetuate its organization with headquarters in Moscow, electing a new executive committee including three Americans —Browder, Foster and Green—and admitting to membership six new national parties from the Philippines and certain Latin-American nations. As it disbanded its session it could claim for the Comintern representation in sixty-five countries and a world-wide following of 3,148,000 members. All this would indicate an active future for the organization; but the Soviet officials will experience no great difficulty in holding it even more completely in check than in the years since the 1928 congress if it seems best to do so.

SOVIET AID TO SCIENCE

A great contrast to the Comintern congress in its effect on world opinion was the international physiological conference which met in Leningrad at

the same time. This convention was attended by the distinguished scientists of more than thirty nations who met without thought of political differences to discuss research problems of concern to mankind as a whole. The Soviet Government treated the visitors with signal courtesy, greeting them officially through a speech by Premier Molotov and entertaining them in a manner hitherto reserved for the highest dignitaries of foreign countries.

Apart from the scientific achievements of the conference, it had significant results in attracting widespread attention to the remarkable progress of research in the Soviet Union. It is now one of the outstanding countries of the world in the government support given to the work of its scientists. Extensive financial provision for research of all kinds is an integral part of the Five-Year program. Many of the foremost Soviet scientists were already known by reputation to the foreign delegates, but the scope of scientific activity, employing as it now does the full time of 250,000 research workers, was an astonishing discovery which called forth praise from all the visitors.

THE FAMILY AND DIVORCE

Drastic reform of the Soviet laws regulating marriage and divorce has recently been initiated by decrees reestablishing the family as the pivotal social unit and enforcing parental responsibility for the care of children. Communist doctrine has always condemned parental authority as a bourgeois notion, and in line with this doctrine the family in Soviet Russia has been until recently a disorganized group without internal government. But the recent decrees go far beyond the practice of bourgeois society in enforcing parental responsibility. All children must be given proper care and supervision, or they will be taken into State institutions and supported at the expense of their parents. Any misdemeanor on the part of a child subjects the parents to fine, and in cases of flagrant neglect the parents are liable to imprisonment.

The reform of the divorce law is an extension of the attempt to hold the family together and safeguard the welfare of the children. The Soviet divorce law had previously been the most lenient of any advanced nation. A mere declaration of desire for freedom by one party before the proper official was usually sufficient to dissolve the union. As a result the divorce rate rose in some cities to 37 out of every 100 marriages, and, furthermore, many marriages were formed—often among the very young—with no serious intent to establish a permanent relationship.

Following the decrees dealing with the family, official spokesmen began urging upon the people the ideal of permanent marriage; now the government has definitely announced that the era of easy divorces has ended. Divorce will be granted hereafter only for substantial reasons similar to those required by the law of bourgeois countries. Neither party will be allowed to dissolve a marriage without notice to the other and without full opportunity for both to set forth their positions. Parents will not be granted divorce on any ground unless they can present to the State a satisfactory plan for the care of the children at their own expense. The State will subtract from a divorced person's wages the money awarded as alimony or for the support of children.

Japanese Trade in the Near East

By ROBERT L. BAKER

JAPAN'S determined drive for foreign markets, which, in 1933 and 1934, was directed at India, the Netherlands East Indies, the Philippines and South America, has only recently began to be acutely felt in the countries of the Near East. Until this year they were, in fact, accustomed to having unfavorable trade balances with Japan. But they did not suffer on that account because imports from Japan constituted only a small part of their total trade, and it was found possible to make up the deficit elsewhere.

That Japanese imports have become a serious problem, especially in Egypt, Palestine, Syria and Iraq, is due to two factors. First, Japan has been making a special effort to develop the Near Eastern markets to take the place of others that have been lost or restricted because of discriminatory tariffs, surcharges and quotas. These efforts have included the dumping of cheap goods in order to undermine other foreign competition. As a result, imports from Japan this year have soared. Second, the Near Eastern countries with the single exception of Saudi Arabia have recently set out to develop industries at home, and the flood of cheap Japanese goods is preventing such enterprises from getting on their feet.

Steps are being taken to combat the Japanese trade menace in Iraq, Palestine, Syria and Egypt. Turkey, which has been less affected than the other countries, maintains a rigid quota system. Egypt denounced its most-favored-nation commercial treaty with Japan in July, the decree to take effect in three months. Iraq has halted the negotiation of a new trade treaty with Japan until some basis is found that will protect her against dumping and a too adverse trade balance. In Palestine the Manufacturers Association has demanded that the High Commissioner take drastic measures to prevent Japanese dumping.

Both Great Britain and France were taken to task in the last report of the League Mandates Commission for permitting Japan to receive the preferred commercial treatment accorded to League members in Syria and Palestine even though she was no longer a member. The two mandatory powers were asked to show cause for their action at the next League session.

Japan can do little to meet the situation. She can scarcely buy more in the Near East because it produces few things that she needs. In fact, only two products of the region—oil and cotton—are of much consequence in international trade. The first Japan can obtain more cheaply from the Netherlands Indies; the second, Egyptian cotton, being high grade, is less suited to the needs of Japan's manufacturers of cheap textiles than the Indian and American fibers.

TURKISH AFFAIRS

The extension of State ownership of utilities in Turkey proceeds apace. Before the coming of the Kemalist republic all Turkey's railways, electric

plants and telephone systems were in the hands of foreign concessionaries. But so rapidly has the Ankara government bought up these enterprises that within a few years the utilities will be government monopolies. Its latest acquisition is the Istanbul Telephone Company, which was purchased from British interests for approximately $4,000,000, payable in forty annuities of $100,000 each, the first to be paid in 1939.

Turkish exporters are profiting from Italy's preparations for war in Africa. Large quantities of cereals, dried fruits and vegetables have been sold to Italy recently above market prices. In fact, Turkey's quota of imports to Italy is almost exhausted, and Turkish exporters are offering a 25 per cent premium for Italian import compensation bonds.

THE ZIONIST CONGRESS

More than 2,400 delegates from forty-three countries attended the nineteenth biennial World Zionist Congress at Lucerne from Aug. 20 to Sept. 4. The Nazi régime in Germany was condemned because of its "systematic deprivation of the rights of Jews" and its "defamation of the whole Jewish people in their spiritual, ethical and cultural achievements." The resolution declared that the Jewish race, "which had defended its honor and personality during thousands of years of history, will never, under any circumstances, submit." The German delegation unanimously opposed the resolution on the ground that it did not constitute a constructive plan to help the situation of the Jews in the Reich. Other resolutions condemned the Palestine Government for inadequate cooperation with the Jews of Palestine.

The congress rejected a resolution affirming the ultimate aim of the Zionists to be the establishment of a Jewish State in Palestine. It was held that the discussion of such an ultimate aim could not be helpful at the present time.

EGYPT AND ITALY

For some ten years Egypt has been concerned over Italy's vigorous policy of expansion in Libya, immediately to her west, and over Great Britain's apparent acquiescence in Italy's occupation of oases the ownership of which was at least doubtful. In 1925, for example, Jerabub was ceded by Great Britain to Italy under the Milner-Schialoja agreement. Later Italy occupied the Kufra Oasis and Great Britain again "rectified" the frontier in Italy's favor by ceding a part of the Owenat Oasis. Italy subsequently occupied the Merga Oasis, which was indisputably within the Anglo-Egyptian Sudan, and retired only after diplomatic protests by London.

Because of the dispute between Italy and Ethiopia, Egypt's anxiety over the safety of her western frontier has been superseded by fears over the eastern, or Ethiopian, headwaters of the Nile. (See CURRENT HISTORY for August, 1935, page 553, for a discussion of how largely dependent Egypt is upon the Ethiopian sources of the Nile.) Egyptians have always been sensitive about the presence of British forces in their country and now hope they will be used to protect Egypt's interests at Lake Tana, on the Blue Nile and on the Sobat. It seems obvious, however, that in protecting Egypt against Italy, British efforts will be diplomatic rather than military, because only a few thousand troops are maintained in Egypt and the Sudan.

Among Egypt's population are 1,000,000 Bedouins, who live on the desert oases and have little to do with

other nomads or with the main part of the nation. In July there was a notable effort to remedy this situation. Delegates from seventy-five Bedouin tribes met at Cairo and named a committee to discuss questions affecting their common interest. Among them were the development of compulsory education among Egyptian Bedouins; the protection of Bedouin rights; the preservation and maintenance of Bedouin customs and the stimulation of intellectual intercourse between the Bedouins of Egypt and those of other Arab countries.

IRAQI ELECTION

A general election of Deputies to the Iraqi Parliament was completed early in August and resulted in a two-thirds majority for the government's candidates. Before the election the country had been reapportioned on the basis of the recent census and the number of Deputies was increased from 88 to 107.

ARAB CONFERENCE

The Emir Abdullah of Transjordan, the Emir Saud, Crown Prince of Saudi Arabia, and Arab notables from Syria and Palestine met at Amman, the capital of Transjordan, from Aug. 16 to Aug. 19, to discuss the attitude that Moslems should take toward the Italo-Ethiopian dispute. Some weeks before the Emir Abdullah had expressed strong sympathy for Ethiopia and equally strong suspicion of Italy's ambitions in the Red Sea region.

Army Rule in Japan

By GROVER CLARK

FANATICAL "patriotism" has taken the life of another high Japanese official. This time the victim was General Tetsuzan Nagata, Director of the Military Affairs Bureau of the War Office, who was assassinated on Aug. 12 by a Lieutenant Colonel who had recently been transferred to a post in Formosa. This attack by an army officer on his superior, unprecedented in Japanese army history, caused considerable uneasiness as to the extent of disaffection within the army, but at the same time helped rather than hindered the War Minister's efforts to end political agitation by certain Fascist-minded army leaders.

War Minister Hayashi began to "purge" the army shortly after the middle of July. One of his boldest strokes was the replacement of Director of Military Training Mazaki by an officer who had not been prominently identified with the group of superpatriots led by former War Minister Araki. This act, as well as the whole "purge," was avowedly intended to get the army out of politics and to stop the agitation by army men which has grown so rapidly during the past couple of years.

War Minister Hayashi might have resigned with regrets and apologies after the murder, expecting that the Emperor would refuse the resignation. Instead, after consulting General Araki, he called a meeting of the Supreme War Council and caused it, on Aug. 22, to issue instructions against soldiers taking part in political activities. Divisional and garrison commanders from all over Japan,

called together in Tokyo on Aug. 26, were told by the War Minister that political agitation must stop. He forbade officers to affiliate or associate except with men of the same rank. Great care, he said, must be exercised in dealing or talking with civilians. Disciplinary punishments are to be enforced rigidly, but not in such a way as to give rise to discontent.

This is a distinct gain for War Minister Hayashi and the group in the army which has been opposed to the Fascist inclinations of the "young officers." On the other hand, General Hayashi has been one of the principals in the campaign to "protect the army's prerogatives." The anti-Fascists have scored a victory, but the army group still feels it should dominate the government.

A bitter controversy has been going on behind the scenes in Japan, nominally over the Emperor's constitutional position but actually over the claim of the fighting services to the exclusive right to "advise" the Emperor on questions involving national defense. The Japanese Constitution gives the Premier and the Chiefs of Staff of the army and the navy equal right of direct access to the Emperor on important matters of national policy. In 1930 the Premier advised the Emperor to sign the London naval treaty, while the Navy Chief of Staff opposed the signature. The Emperor signed. Ever since, the army and navy leaders have been agitating to protect and strengthen their "prerogatives."

For some months this has taken the form of attempts to convince the public that the fighting services are the only true upholders of the Emperor's divine and unique dignity. Specifically, the attack has centred on the theory advanced by Dr. Tatsukichi Minobe, one of Japan's most distinguished teachers of constitutional law. According to this theory, which is expounded in textbooks used in the universities, the supreme authority in Japan rests with the State as such, and the Emperor is simply the organ of the State through which that authority is exercised. Last Autumn, on the ground that the theory was a derogatory misinterpretation of the Emperor's real position, the army-navy group seized on it as a pretext to attack the liberals and civilians, particularly Baron Ikki, President of the Privy Council, and the Ministers of Finance and of Communications. The super-patriots succeeded last Spring in forcing Minobe to resign his professorship and in having his books suppressed. Now they have scored a more important victory in a declaration issued by the Cabinet on Aug. 3.

After pointing out that the supreme power rests with the Emperor, the statement declares: "Any constitutional theory which regards the Emperor as an institution to exercise this power runs contrary to the true character of Japan's national policy."

As Hugh Byas, writing in *The New York Times*, remarks, "ostensibly the dispute concerned the legal theory of the Japanese Emperorship, but it also involved the prerogatives of the fighting services. * * * The question of supreme command * * * raised by the Minobe dispute is the question of whether the Premier or the Chief of Staff has the last word in advising the Emperor on matters connected with defense." The army and navy have been insisting that the advice of the general staffs must be final on such questions and they have been interpreting "defense" very broadly. Now they have tightened their grip on all governmental affairs by compelling the civilian Cabinet to issue its declaration of Aug. 3.

Japan's civil authorities, including her diplomats, on the other hand, have been strenuously trying to avoid giving the army and navy an excuse for saying that civilians lack zeal in maintaining the dignity of the Emperor. That is the principal reason for the recent flurry of diplomatic protests against alleged "insults" to the Emperor in China and the United States. The protests in China led a Chinese court in Shanghai to sentence to jail for fourteen months the editor of the *New Life Weekly* because his paper had remarked that the Japanese Emperor really had little actual power. The protests in the United States arose out of one of a series of cartoons depicting prominent persons in unlikely positions. In this the Emperor was shown pulling a gun carriage on which reposed a scroll labeled "Nobel Peace Prize." Also objected to were photographs of famous births in 1934, showing on the same page the Crown Prince of Japan and the Dionne quintuplets. Moreover, members of a private club in Seattle had staged a show in which a man representing the Emperor of Japan pulled a rickshaw in which sat another man representing the Emperor of Ethiopia. The Japanese Ambassador, without waiting for instructions from Tokyo, promptly protested to the State Department about the cartoon and the Seattle stunt. Regrets were duly expressed over possible misunderstandings of American humor and the matter was dropped.

WEAKNESS AT NANKING

Two points about the Nanking Government have been made clear. First, there is considerable internal disagreement over how far compliance with Japan's wishes should go; second, no one in an important position is ready for a showdown within the Nationalist party organization.

Wang Ching-wei, President of the Executive Yuan (Premier) and Foreign Minister, brought the disagreement into the open by resigning his two posts on Aug. 9. The Ministers for Railways, Industries and War promptly followed his lead. H. H. Kung, Finance Minister and acting Premier, intimated that if Wang did not withdraw his resignation the remaining Ministers would also have to resign. Reports from the South declared that a group of Lefts, who favor open war with Japan, were preparing to seize this opportunity to raise a revolt against Nanking.

Chiang Kai-shek, who was in Szechuan directing the anti-Communist campaign, went to Kuling to meet Kung and other leaders, and then to Nanking, where he saw Wang Ching-wei. On Aug. 22, after a meeting of the Central Executive Committee, Wang withdrew his resignation, and the other Ministers followed suit.

Nothing seems to have been settled. Though Wang has made his gesture of atonement for the government's submission to the Japanese army's recent demands in North China, he remains in favor of non-resistance. The fundamental disagreement over whether Japanese advances should be actively opposed or accepted remains, as does the long-standing quarrel between Chiang Kai-shek and the Southern leaders.

AFFAIRS IN MANCHUKUO

Shortage of Winter snows and Spring rains over considerable areas in Manchukuo, following disastrous floods last Autumn, have produced near-famine conditions in some regions and outright starvation in others. While the soya bean crop, which is grown chiefly for export, was fairly good, the market for the beans has been poor. As a result the

farmers over a large part of Manchukuo are hard hit and this has led to banditry which, according to the reports, is worse than it has been for years.

The immediate situation in Manchukuo, however, has not kept the Japanese Cabinet from formulating a plan for the gradual abandonment of Japanese extraterritorial rights. On Aug. 9 the Foreign Office submitted and the Cabinet approved a plan by which all extraterritorial rights would be surrendered by the end of 1937. The official explanation says the reason is the administrative progress in Manchukuo, but also "to insure the free operation of Japanese policy." Japan is to keep the Railway Zone, though administration will be transferred gradually to Manchukuo.

In regard to foreigners in Manchukuo other than Japanese, the Japanese Foreign Office spokesman pointed out on July 29 that Manchukuo, so long as it remains unrecognized by the powers, is entirely at liberty by unilateral action to cancel all extraterritorial rights.

JAPAN IN CHINA

New Japanese demands in North China have been presented following two outbreaks which the Japanese claim were due to Chinese failure to carry out promises to keep the peace. On Aug. 3 four gunmen killed a Chinese commander of the Peace Preservation Corps in the demilitarized zone near the Great Wall, and, incidentally, wounded a Japanese sergeant. This led to Japanese pressure for the complete administrative reorganization of the five Northern Provinces of Hopei, Chahar, Suiyuan, Shansi and Shantung. Then, on Aug. 15, Chinese bandits held up a Mukden-Peiping train, killed five persons and wounded twenty, and escaped with $10,000 in silver. Protests and demands for indemnity followed promptly, and it was announced that the Japanese Army would establish a "special service" to cooperate with the Chinese in heading off the potential threat of a Chinese Communist advance into Inner Mongolia through Suiyuan from Shensi and Kansu. The Japanese assert that Nanking is still deliberately causing trouble and that Japanese influence must therefore be extended—in order to keep the peace.

Steps have also been taken on the economic side to extend that influence. One of the first acts of the newly appointed President of the South Manchuria Railway Company, Yosuke Matsuoka of Geneva fame, was to apply to the Manchurian Affairs Bureau in Tokyo for a charter for a new subsidiary of the South Manchurian Railway which would concentrate on financial, commercial and economic activities in North China. The proposed company will interest itself in developing coal mines in Shansi, iron ore in Chahar, oil in Shensi and cotton in Hopei, Shantung and Honan, besides undertaking whatever other work may seem promising. Various new railways in North China are also contemplated in the scheme. President Matsuoka stated on Aug. 21 that in this and other developments in Manchukuo as well as in North China foreign capital would be welcomed in cooperation with the Japanese. He expected to raise 200,000,000 yen at 4 per cent in Japan without unduly disturbing the Japanese money market in spite of Finance Minister Takahashi's recent warnings against the export of capital to Manchukuo or any other foreign country.

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CURRENT HISTORY

NOVEMBER 1935

Italy Doubts Mussolini

By M. E. RAVAGE*

AT the port of Naples dense masses of men, women and children crowd the piers. The magnificent bay is alive with craft of every size and description—glistening white yachts, sloops with painted sails, fishing smacks, long, slender racing shells—as far as the eye can see. Bands strike up *Giovinezza* (the Fascist hymn of youth) and columns of Balilas and Avanguardistas—boys and girls—join with piping voices in the refrain. Cheers rise from countless throats and are flung back from the slopes of Vesuvius with its symbolic plume of smoke: "Here they come!"

Yes, here they come, the troops about to leave for the war, swinging as they march, with flowers in their rifles. Applause, cheers, shouts fill the air as they mount the steep gangplanks, as the chains grind and hoist the anchors, as the propellers churn, and the clumsy transports manoeuvre, elephantlike, their way out to the open sea.

Slowly the throngs disperse. The last echoes of fife and drum have died away. Only here and there little knots of women along the parapets—mothers, sisters and sweethearts, whose heroes have sailed away, never perhaps to return sound or alive from the fever-infested wastes of East Africa—gaze out over the water, their faces veiled lest their tears spoil the picture of the general rejoicing.

For weeks the Italian press has been rousing the nation to patriotic fervor, charging Ethiopia and the Emperor Haile Selassie with all the crimes and vices in the calendar, and shaking rhetorical fists at Great Britain, Japan, the League, every one who would presume to balk Italy in her destiny, who would uphold barbarism against civilization. Elaborate, historical retrospects recite the manner in which Britain by force conquered, con-

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solidated and has held her far-flung empire. The moral is patent, but it is drawn nevertheless: What other nations did, Italy has the right to do. World opinion? In articles and speeches that ridiculous phantom is held up to scorn. "Italy will march to her goal, regardless of world opinion. Woe to him who dares cross the path of her gallant sons!" No dissident voice mars the popular unanimity. The prospect of battle has solidified the country behind its leader. Twelve years of what is called Fascist realism, battering at the illusion of permanent peace, warning of wars to come and methodically, unceasingly, preparing for them, has done its work—or at least so it would seem.

But the appearances are deceptive. Never since fascism came to power has complaining in Italy been so general or so outspoken among all classes—workers, peasants, industrialists, landowners, investors, merchants—as it has been in the past twelve or fifteen months. Since the Ethiopian war preparations cast their shadow across the land the spirit of discontent and downright rebellion has even found its way into the army.

Rumor travels fast and in all directions. There are stories of violent scenes between King Victor Emmanuel and Mussolini. It is said that for every troopship that goes through the Suez Canal, two return with broken men. The story goes the rounds that soldiers have refused to board the transports at a Sardinian port, and that Mussolini was obliged to hurry down there to shame them into obedience. These, as has been said, are rumors.

But there are facts too. In June of this year several hundred intellectuals were suddenly rounded up and imprisoned. The American Consulates report a rush of Italian-born American citizens asking to be repatriated to the land of their adoption. Among them are people who had bought homes, farms, businesses of various kinds, clearly never intending to leave Italy again. There is a considerable number whose American citizenship has lapsed.

A document reaches the columns of a great English newspaper, a document the more certainly authentic in that it comes from a source by no means hostile to dictatorships and that it was not intended for publication. It is an unofficial bulletin issued by the German Ministry of Propaganda for the guidance of the press of the Reich. Among numerous other items under the caption, "Nothing must be printed about" is this one: "The mutinies in the Italian Army."

Undoubtedly there is discontent. What is it? Why is it? This attempt to give an answer is in the main the result of a composite impression of the sentiment of Italians about conditions generally and the Ethiopian war in particular. It is derived from numerous conversations with people of all degrees, partisans of the régime for the most part, many of them holding high posts in the government.

The workers complain that while fascism has disarmed them of their bargaining weapons, it has saved them neither from unemployment (quintupled between 1929 and 1933, and somewhat reduced since only by the speeding up of the war machine) nor from wage-cuts (between 16 and 38 per cent since 1926) nor yet from high prices of necessaries (an average increase of 17 per cent for 125 commodities since last year). Moreover, while in other countries unemployment has been mitigated by the dole, in Italy only about one jobless person out of four has been given

relief. The more intelligent among the laboring classes do not hold fascism responsible for a depression that is world-wide; but the misery of the Italian masses began nearly two years before the general economic crisis and that, they declare, was a result of the excessively high figure at which the lira was stabilized and the subsequent deflation policy of the government.

Business, irked by a growing tendency toward State control, by the limits set on corporation profits, by the government's interference in wage and hour scales, by intervention through the recent licensing scheme in industrial expansion, and by a series of other measures designed to control private initiative, wonders whether the régime which had been understood to aim at the stabilization of the existing social and economic order is not leading Italy by a backdoor to the very collectivism from which it had arisen to save her. Not only industrialists but many great landlords, seeing apprehensively the drift of the dictatorship, recall by way of an explanation as well as an earnest of the troubled future the fact that Mussolini began his career as a Socialist.

The landed proprietors, worried by radical Fascist agitation in favor of expropriation of idle land and alarmed by the government's pressing advocacy of crop-sharing contracts between owners and agricultural laborers, have their own grievances and their own fears. All this does not prevent the farm-workers from resisting these same contracts on the ground that they are but a scheme for reducing agricultural wages (which had already declined 20 to 50 per cent between 1927 and 1933) and rendering the economic position of the poor rural population more precarious than ever.

Discontent has in recent months penetrated the financial and investing community. By a decree of Dec. 8, 1934, all Italian citizens, whether resident at home or abroad, were required to submit to the Bank of Italy a list of all their foreign stocks, bonds and other credits. Five months later a further decree ordered them to deposit the holdings themselves with the same central institution. Banks and corporations must, in accordance with the earlier of these decrees, dispose of their foreign investments by ceding them, at the exchange rate of the day, to the Bank of Italy. Drastic measures, these, not only for checking any contemplated flight of capital but for calling in Italian resources that have already sought refuge abroad.

Italy's unfavorable trade balance is a chronic trouble much older than the present régime and resulting from the country's overpopulation and meager natural resources. But critics are not wanting to call attention to the fact that it has been greatly aggravated in the last few years by the high value of the lira and by the maintenance of the gold standard—both measures adopted for the sake of national prestige without relation to national welfare.

To top all these misfortunes, the country has now been pushed into a military struggle whose duration no man can foretell, whose burdens upon an economy already strained to the breaking point can only be surmised, whose consequences are at best unpredictable and at the worst may provide the spark for a general conflagration, and whose cost in human lives is not unlikely to be in any event more than can be borne by a nation not particularly militaristic, still afflicted with the unhealed wounds of the World War and shaken by unrest.

To be sure, the government's assurances may prove true that the Ethiopian enterprise, giving Italy more room for her surplus population and fresh resources, is the very thing to cure all the evils from which she is suffering. But this prospect, Mussolini's critics point out, would have been vastly more certain of materialization if the authorities had gone about the business in less headlong fashion, more subtly and skillfully, and if the head of the government had put the conduct of foreign affairs into trained, responsible and experienced hands instead of trying to demonstrate his diplomatic abilities. Napoleon's star, they recall, began to decline when, after letting Talleyrand go, he attempted to be his own Foreign Minister.

Among the plain people one is conscious of no more than a vague uneasiness, a feeling that matters have in some way been bungled. A petty colonial dispute which the older imperialist powers would have disposed of with a handful of native troops and a minimum of publicity has been allowed, through somebody's clumsiness—no doubt Mussolini's—to take on the proportions of a major war which has already cost Italy the good-will of the world, which may in consequence result in an economic and financial boycott against her and which threatens at all events to be both long and bloody.

Although Mussolini's government and his regimented press take every precaution to guard the Italian public against what is said and written abroad, it is they themselves who inadvertently let in the light. The people have gained more than an inkling of world opinion regarding Italy through the violent attacks in the Italian press on Great Britain and through Mussolini's fulminations against the League of Nations. The Italian people may not know exactly why their nation is under a cloud, but they feel it all the same, and that deeply perturbs them.

Among the educated classes, particularly among those of the older generation whose memories go back to the World War as well as to the Italy of other days, criticism tends to be more specific. Such of them as the present writer has been able to approach are emphatically expansionist. Without quite sharing the government's accusations against Ethiopia, which they regard merely as propaganda for the mass, they are convinced that the conquest of that country by their own would be an excellent thing for Italy, for Ethiopia and for civilization. Italy must secure for herself the resources to which she is entitled and which she would have had long ago but for her becoming a united nation so late. Her allies were unfair to her at the Paris Peace Conference. It is the mission of fascism to right that wrong. And the Duce is unanswerable when he shows up the hypocrisy of the great imperialistic powers who righteously condemn Italy for emulating their example.

Where Mussolini goes astray, declare these friendly critics, is in not emulating the veteran imperialists' methods and tactics as well. A certain bluntness is very admirable and effective, even in diplomacy, provided it does not degenerate into stupid defiance. Great Britain and France did not set about building their empires by first alienating all their potential friends. Before France began the conquest of Morocco she made certain of Great Britain's benevolent neutrality. Better yet, she contrived to win over some of the native chieftains to her cause and to assume the rôle of defending the authority of the Sultan against dissident tribesmen. It was

by these tactics that she triumphed more than by the use of tanks and airplanes.

Italy, the critics of Fascist foreign policy point out, had every opportunity to make these methods her own. The fear of Germany could, moreover, have, with a little patience and moderation, swayed Great Britain to reasonableness, as it had—for a time—influenced the French. Instead of this, Italy's bluntness solidified Ethiopia's loosely organized tribes into a united nation, while her impatience forced France to choose between friendship with Great Britain and Italy. Mussolini overlooked the fact that a dictator's absolute power ends at his country's frontiers.

It is in the field of foreign relations that reviving Italian public opinion is most severe on Mussolini. Time and again this writer has seen loyal Fascists, who but a year ago worshipped their chief as Italy's savior, shake their heads mournfully as they reviewed his deplorable record in foreign policy. A State in which the power is as effectually concentrated in one man's hands as it perhaps ever was anywhere in history should, Mussolini's critics contend, at least have continuity and consistency in its external relations. But Italy under fascism has never been of the same mind in her diplomacy for two years running. In 1932 she was Germany's great advocate and the year following at swords' points with her. One day she was the leading adversary of French hegemony and the next she was playing the part of the affectionate Latin sister. And by way of a climax, the traditional friendship with England is let go sour. Is it surprising that the Italian people do not know on which foot to stand?

For five years after coming to power Italy's Fascist régime can scarcely be said to have had any foreign policy at all, unless the feud with Yugoslavia, inherited from its predecessors, may be so dignified. In 1927 Mussolini, looking for satellites to offset the French system of alliances, discovered the powers that had lost the war, and set about erecting his "hegemony of discontent." First Hungary and then Austria were taken under Italian tutelage. The King of Bulgaria was given an Italian princess for a wife. Germany was abetted in her fight for revision and Hitler coached in his task of exterminating such internal opposition to revision as existed.

Then, on the very morrow of the Nazi triumph, the whole of Mussolini's elaborate system collapsed like a house of cards. Hitlerite Germany's idea of a strong foreign policy began with a determined struggle for Austro-German union, which meant that in due time revision would be applied in the first instance to Italy's South Tyrol. By way of undermining this scheme, Italy encouraged Austria to raise up a dictator of her own, and Dollfuss in his turn was shown how to deal with parliamentary and other obstructionists. Unfortunately the crushing of the Austrian Socialists removed the only effective opposition to the Nazis, thus bringing the dreaded Austro-German union so much the nearer.

But these are not the only grounds on which Mussolini's diplomacy is found so disastrously inept. The assassination of King Alexander, followed as it was by Italy's desertion of Hungary while the latter stood in the dock at Geneva, greatly shortened the distance between Budapest and Berlin. Meanwhile Belgrade, closer at

once geographically and racially to Sofia, is laboring night and day with varying fortune for Bulgar-Yugoslav unity. And Venizelos's attempt to disrupt the Balkan entente ended in a pitiful fiasco.

In the face of such a record in international relations, Italians, full of doubts and misgivings, ask how they can look confidently to the future. This is not saying that Mussolini has lost his hold or that the Fascist régime is about to be overthrown. It is not saying that anything like an organized opposition, strong enough to attempt such an enterprise or even contemplating it, has so much as begun in Italy. It is impossible to say what the extent of the disaffection is, for it is still scattered, without leadership and therefore ineffectual. Both the régime and its founder remain masters of the situation. On the assumption that the African adventure succeeds, that is to say, that it does not provoke a struggle with Great Britain or a general war, and that the expedition against Ethiopia is concluded rapidly, victoriously and with a minimum of Italian sacrifices in lives and treasure, Mussolini and fascism should remain in the saddle for a long time to come.

These, however, are very big assumptions. It has been made abundantly clear by those familiar with the history of colonial conquest that the subjugation of Ethiopia, quite apart from possible complications in Europe, is not likely to prove the easy task which optimistic Italians profess to anticipate. Experts, men holding high positions in the Italian Government, have themselves admitted to this writer that Italy expects the struggle to last four years. Are Italy's national economy and her financial resources likely to survive a war whose preparation alone has cost hundreds of millions of lire, and which in four years would cost 20,000,000,000? Above all, is the endurance of a people, which, as the World War has shown, is not given to military ardor, which is seething with discontent even before the struggle begins, likely to resist not for four years, but for two, or even for one in the face of disease, thirst, a broiling sun and a barbaric enemy who is defending his home?

Nevertheless, this rise to the surface of long pent-up discontent does mean that the spell is broken, that the dictatorship is no longer regarded as infallible, that public opinion is reviving and that Mussolini's conduct of the nation's affairs is henceforth subject to scrutiny and criticism by a growing element of the population comprising all classes. And this in its turn signifies that the real danger for Mussolini, in his warlike undertaking, lurks neither in London nor in Addis Ababa, but in Rome. Should his adventure drag out too long or end in failure he will have to reckon not with the British or the Ethiopians but with the Italian people themselves, the people who so far have been forced to believe that he could do no wrong.

The League's Work for Peace

By James T. Shotwell*

One of a number of reasons for doubting if we are really civilized is the unscrupulous nature of politics. Of all the techniques that engage the interest and challenge the capacity of human intelligence there is none that is directed upon a larger, more important task than that of building up the structure of organized communities and furthering or safeguarding justice in the dealings of men and nations.

Yet it is a technique in which intelligence is constantly thwarted by unintelligence; in which prejudice blinds even the most worthy of citizens to the truth not only of what has happened in the past but even of what is happening before one's very eyes. Unconscious as well as conscious dishonesty prevents all but the most generous and tolerant spirits from seeing things as they really are.

That this is true of local politics, where men and women misjudge their neighbors, has long been pointed out by moralists, for it was a byword in our homes that politics and honesty seldom went together. While the same principle holds in national politics, the importance of the issues involved tends to bring statesmanship to the fore, although partisan misrepresentations continue to be the stock in trade of most of those who regard politics as a profession.

One might have expected, however, that this perverse tendency would not play so large a rôle in the politics of international relations. When a great experiment like the League of Nations is launched upon the world it ought to be possible to bring fair-minded criticism to its consideration instead of condemning it by prejudices from past controversies and distorting its history in the light of those prejudices. Yet it would be hard to find in any other field of politics so consistent a series of misrepresentations as those which have been offered to the American public as a fair picture of the effort to construct an organization of international cooperation in a world that is admittedly ill-prepared to undertake so great a task.

In the present crisis of the League it is particularly among the liberals of the United States that the anti-League prejudices are most to be found today. Throughout the early phases of the Ethiopian crisis they kept saying that the League would not live up to its obligations any more than it did in the Manchurian crisis, and when it did rise to the fulfillment of its duty under the Covenant, then it was stated that Great Britain was using the League as a catspaw to carry out its own peculiarly selfish aims and purposes.

Mussolini's attack upon Ethiopia was not judged on its own merits under the conditions which prevail in the world today, for the American liberal, taking a leaf from the Japanese imperialist, argued that what Great Britain had done in the past made it a poor censor of Italy's similar

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actions now and that the League as Great Britain's agent was therefore not that symbol of a new order in world relations which its advocates claimed it to be. Had the Italian aggression been more skillfully carried out, one might have found those who profess to abhor fascism most as the out-and-out defenders of its effort for a place in the sun.

Fortunately for them they were saved from this difficult paradox by the frankness with which Italy has stated and carried out its purpose. This frankness is not new with Mussolini. It was the *sacro egoismo* that Italy professed in the World War and that was one of the chief reasons for her failure to receive full consideration in the terms of the treaty of peace.

Then, however, no other issue was involved than that of one claimant against another in the apportionment of war gains. Now it is a different issue that this frankness serves to bring to the fore and that prevents any but the most determined opponent of the League from taking sides with Italy, however much he may hold back his support from the cooperative effort of Geneva. It is an issue of the use of pacific means for securing redress of grievances over against the immemorial method of resort to the sword. Can nations with a grievance look to the League with any serious hope that it will act effectively on their behalf?

The heart of the question, therefore, is whether the League of Nations can develop a technique adequate for this task. Can it serve as a real and genuine substitute for war as an instrument of national policy, that is, as the instrument upon which a nation can rely to attain its ends in the face of the opposition of other nations, so long as its cause is just?

This issue was one with which the League did not come to grips during the first decade of its history. The status quo was regarded mainly as a territorial question, and the shifting of frontiers meant a shifting of sovereignty. The chief attribute of sovereignty is power and, therefore, the controversy over the status quo was not merely a question of pacific readjustment of property but that of meeting the demand for a change where change is hardest to secure, that is, in territory and population.

Under the Covenant only peaceful methods are permitted for securing treaty revision. In Article X the members of the League undertake to respect and preserve the territorial integrity and existing independence of all members of the League "against external aggression." It is, therefore, only in case the claimant for revision resorts to war that the Covenant becomes an agent of the status quo.

Accepting these conditions, the governments of the Central Powers were throughout all the early history of the League little inclined to challenge the wisdom of Article X. That was mostly left for those private individuals who acquired the habit of denouncing the article without realizing that it did not come into operation unless the aggrieved State resorted to war. The Central Powers were at that time apprehensive of anarchy in Europe. We have now lost the sense of that apprehension, but it was deep and widespread and should be recalled in passing judgment upon the first decade of the League's history.

Apart from territorial matters and disarmament, which bring us even closer to the fundamental question of sovereignty, the peace treaties were considerably modified either by agreement or by disuse. But this process of revision was for the most part car-

ried out as quietly and unobtrusively as possible in order not to arouse susceptibilities. It was a diplomatic rather than a political procedure. Therefore, the nations that benefited from it did not fully register the extent of their gains, and the nations that yielded, if they learned what was done, had a feeling that they were surrendering without receiving any credit for their action.

As symbols of victory and defeat the peace treaties still stood, and seldom in history have symbols been more effective and more misused. Mr. Frank H. Simonds himself* has freely admitted in his more serious writings that Germany's troubles in the post-war period were not all due to the Treaty of Versailles. On the contrary, they were due in greater degree than Germany herself would readily admit to the disastrous consequences of the war and to the post-war nationalism that has crippled the economic life of all European nations. There is a sober German opinion which is fully aware of these additional causes of Germany's post-war ills, but the propaganda for treaty revision, magnificently organized and intelligently directed, has obscured history and distorted opinion by a gigantic over-simplification.

Nevertheless, the fact remains that the League did not make any formal effort to revise the peace treaties as such. Article XIX of the Covenant remained a dead letter. In itself this is a much more challenging section of the Covenant than is commonly supposed. Its terms go very far indeed. It states that "the Assembly may from time to time advise the reconsideration by members of the League of treaties which have become inapplicable and the consideration of international conditions whose continuance might endanger the peace of the world."

Some day the fair-minded student of history will recall to his readers that this revolutionary article, this preface to a new world order—still to be attained—is actually in that ill-fated document, the Treaty of Versailles. In this matter, at least, it is not the treaty that failed to provide for peaceful change but the nations of the post-war era that failed to avail themselves of the machinery called for by it. The Italian episode has now brought this question to the fore.

It is not too much to say that the test of the League's capacity and the condition of its development from now on will be its ability to apply Article XIX, for it is the charter of a league of justice as well as of international peace.

The first condition for the application of Article XIX is that the members of the League shall invoke it instead of resorting to war. Peace under the status quo is an antecedent condition of peaceful change. This may at first sight seem a strange thing to say, in view of the fact that the threat of force, if not its actual application, has been and apparently still continues to be the most potent agent in securing change.

Nevertheless, the use or threat of force for such purposes keeps nations in that vicious circle which looks to force for the maintenance of existing conditions fully as much as for securing a change in them. In short, to inject force into this process even as a stimulant for action is to denature the process at the source and throw things back to the realm where the politics of power is the final determinant. Article XIX, which invokes the

*An article by Mr. Simonds, entitled "The Drift to War," was published in CURRENT HISTORY for October, Pages 1-7.

rule of reason against the rule of force, must therefore proceed upon the condition that the international world is effectively policed against resort by any nation to the alternative method of using armed force.

This is the collective system proclaimed in the Covenant but never fully applied by the League until the present crisis. The principle underlying it was summarized by the British League of Nations Union in the slogan "Each for all and all for each," meaning that each nation would defend every other member of the League against an unprovoked aggression. So great a departure from the anarchy of the national State system of the nineteenth century has naturally been the subject of much discussion and has given rise to many varying opinions as to exactly how it would work.

There lies before me a massive pile of documents which come from the conference of experts which dealt with "collective security" at a meeting in London last June. This body was called together under the auspices of the Committee on Intellectual Cooperation of the League of Nations. Its proceedings have not yet been published, but they have been widely circulated to foreign offices and to students of international law.

No one could have expected when these academic discussions were carried on that the League of Nations would so soon be engaged in the international policing of one of its members. Now both theory and practice are showing us how this may be done. The program of peace enforcement following the resolution of the Assembly of 1921 makes it quite clear that there is a gradation of responsibility for the maintenance of peace. Not all nations are to be policemen on active duty. Those whose interests are most involved will naturally be called upon first; those with only secondary interests will not be expected to cooperate to the same degree.

This principle of graded responsibility is one which the League has asserted time and again, especially at the instance of the Scandinavian States and the British Dominions. The French Government made it the basis of its statement of security in the plan which it submitted to the Disarmament Conference in the Autumn of 1932; the British adopted it in its statement of its disarmament program in the following Spring; and it was as a concluding section to this chapter of history that Mr. Norman H. Davis made his historic statement of American policy before the Disarmament Conference in May, 1933, a statement of policy which, in spite of the isolationists' demands upon the administration, still remains in effect. Applied to the United States it means that we should not do anything to thwart the measures taken against a violator so designated by international agreement, "if we can concur in the judgment rendered as to the responsible and guilty party."

A little thought will show that graded responsibility in the application of the sanctions is based upon the real interests of nations, thus giving a common-sense interpretation to provisions of the Covenant which opponents of the League have described as meaning that all League members had to meet their obligations to the same extent, or at least in the same way.

No such fantastic altruism could be expected to work. All members of the League share a common moral duty to go to the support of a victim of unprovoked aggression, but some members would go further than others in actually applying the sanctions. Outlying nations, even within the League,

may not have to do more than the United States might be expected to do under the terms of Mr. Davis' statement, namely, abstain from helping the aggressor by the shipment of arms and supplies which enable him to carry out his aggression.

It is necessary to recall this whole procedure at some length, although it is or should be familiar to any student of League history, because it is the answer to those who have said that in the present circumstances Great Britain is using the League as its tool. The principle of self-interest governs in the assignment or acceptance of police duty among nations in any workable collective system, just as it does within the State itself. Great Britain has a larger stake than other nations in the immediate issue raised by Italy's aggression; if Great Britain had held back under such conditions, the liberals who now attack her on the basis that she is seeking satisfaction for her own self-interest would have had a real case against her.

Strangely enough, the most generous comment on British action has come from Germany, where, as a result of the courageous support given by Great Britain to the collective system, a new respect for the League is finding expression in the daily press. Sir Samuel Hoare, both in his speech before the Assembly on Sept. 11 and in his note to France of Sept. 29 has at last shown the world what collective security looks like. It is not likely that any statesman of any other country will be phrasing it in different terms from these for a long while to come, since they are not terms that apply peculiarly to Great Britain. They are built upon the entire past experience of the League as well.

If the League did nothing more than apply the principle of collective security, even that would stand as a unique event in the world's history. It would be the first realization of the solidarity of nations in defense of world peace. Nevertheless, it would not mean any permanent gain for peace unless there were built upon it that next step which the enemies of the League say it cannot take, but which the British Foreign Secretary urges it to take, namely, that of securing adjustability to a changing world instead of merely keeping the peace within the framework of the past.

Here we come upon Article XIX with all its implications. Is there any way to force the revision of a treaty upon a nation that insists it will not accept the change? So far as one can see, this can be accomplished only by two measures short of war. Diplomacy may achieve it by persuasion, either convincing the recalcitrant State that it will gain directly or indirectly by the change or offering a quid pro quo for what is taken away. The other method is to apply the economic sanctions in a minor way. This latter course is not so impossible or so dangerous as the critics of Geneva would make out. Similar pressures are constantly being applied on every hand; indeed they constitute to some degree the basis of economic diplomacy throughout the world.

It is true that the conception of a treaty as an inviolable contract would have to be changed. This conception, which gained its place in the world during the rise of the national State system in early modern times, is part and parcel of an outworn theory of sovereignty as something inalienable and semi-divine. The tendency to get away from such an ironclad structure of international relations has shown itself more and more strongly in these post-war years both by the assignment of a term of years during which

the treaty is to run and by actual provision in the text for its revision either from time to time or at the end of the period.

The one kind of treaty that is hardest to revise is, as we have shown, the charter of a nation's existence or that which marks its boundaries. Such treaties, which deal with the transfer or the maintenance of citizenship, do not readily yield to economic pressure. That pressure, however, may so change the conditions of citizenship across frontiers as to make the question of its exact position of less importance. With nationalism at its present feverish height, I share the skepticism of those who think that little in this direction can be achieved in the immediate future. It is even possible that during this pioneering age of the world community other nations will do in the future what Italy has done today.

But it is shallow reasoning to draw the conclusion that such violation of the Covenant means that the League cannot through such experiences acquire the capacity to ensure justice while maintaining peace.

In conclusion, let me say that some of the issues raised by the nationalism of today are based on fundamental fallacies and that the solution in such cases lies not in granting a nation what it thinks it wants but in holding out for those principles of government and of peace which are sound in themselves. Norman Angell performed a major service many years ago when he showed that the idea of nations making profit out of war was a "great illusion."

There is a similar illusion widely cherished that nations which are thickly populated would necessarily benefit if they acquired colonial possessions in other parts of the world. Much more important are the conditions of their trade, not simply with backward peoples but with all other nations. So long as nationalism builds Chinese walls around the nations of Europe, they cannot prosper, no matter what colonial possessions they may have; for there are no colonies available that will fully compensate for trading relations with the rest of the civilized world.

These conditions, however, have perhaps carried us too far from the problem of whether or not the League of Nations can ever fully achieve its august purpose. We cannot blueprint the future beyond building a few additions to the structure of the present. But it is not idle dreaming to suppose that the same intelligence that has built the structure thus far can ultimately carry it to completion.

Wanted: A Naval Policy

By HANSON W. BALDWIN*

ATTEMPTS recently made to initiate the international conferences scheduled for this year to "frame a new treaty to replace and carry out the purposes" of the London Naval Treaty have again focused attention on the problem of an American naval policy. Though these conferences, if ever held, are probably foredoomed to failure, world events emphasize the urgent necessity of an American naval policy—a policy of fact, not of theory; of reason, not of alarum; a policy of the people, not of Presidents or admirals.

There has never been an era when an intelligent naval policy was of more importance to the United States—and to the rest of the world. The trend of navies and of nations, of political philosophies, social institutions and economic systems is at a turning point. Sweeping forces already have remade our world. The fruits of circumstance and change are still to come. International politics are in a ferment; national jealousies and ambitions seethe and bubble; wars and aggressions threaten in a dozen "danger spots."

In the Far East Japan consolidates her position in Manchuria, develops her mandated islands, halts but briefly in her imperialistic expansion. In Europe the dark cloud of Italian ambitions casts a threatening shadow over the Continent. The few democracies left in the Old World are fighting alike against internal and external forces—internal ones that would substitute for liberty and self-government the dictatorship and repression of fascism or communism; external forces that seek for empire, for power, for places in the sun. And in our own country our long struggle for recovery is being accompanied and complicated by the pull-and-haul of opposing economic and political theories, producing a domestic situation that requires a sharp and clear definition of the relationship of the navy (and of the army) to the central government.

The importance, therefore, of a reasoned, intelligent and stable naval policy, one that will stand the attrition of time and the stress of change, and one that will meet the exigencies of the Far Eastern situation, the European problem and our own domestic difficulties, seem self-evident when the whole picture is painted. Much depends on our foreign policy, much, therefore, on the instrument that implements it; much depends on the relationship of the navy to the nation, much, therefore, on the definition of that relationship.

A navy being in a democracy only an instrument of national policy, naval policy is only a statement of the mission or purpose, the reason for existence of a navy, and it is governed by and is dependent upon the national policies and is always in furtherance of them. In the Fascist or dictatorial State where the navy and the army

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cease to be implements and become the real rulers that forge the nation's policy, naval policy is largely synonymous with national policy. But in transition from one form of government to another, for instance from democracy to fascism, naval (and military) policy may be diametrically opposed to avowed national policies.

The present naval policy of the United States has for some years been defined as follows: "To maintain the navy in sufficient strength to support the national policies and commerce and guard the continental and overseas possessions of the United States." But this is only a vague and generalized statement of the navy's mission; standing alone it means nothing; its practicality and effectiveness depend upon its application. In other words, these fine phrases, without ships to vitalize them, are like an army without guns. And this statement of policy as well as others which have preceded it (and varied from it) have been devitalized by indifference or inattention when we have not, by sudden spurts of building and frantic waving of the big navy stick, charged the innocent words of successive Secretaries of the Navy with dynamite.

The recent episodes in our vacillating naval policy are well known. We entered the World War unprepared, built up a tremendous fleet at tremendous cost, and after the war initiated the first conference on naval disarmament, which resulted in the Washington Treaty of 1922. From that treaty sprang our latest policy of naval parity. But once again, as so often in the past, we contented ourselves with the statement of a policy and made no attempt to live up to the letter of it. We had signed a treaty not only entitling us, but binding us, if world peace were best to be served, to keep our navy equal in strength to Great Britain's and superior to Japan's in the ratio of 5 to 3.

Despite the introduction of a new viewpoint—a new policy, the policy of parity—we followed the same old cycle of the years; the navy declined in the Nineteen Twenties as it has always declined after nearly every war in our history. From the time the Washington Treaty was signed in 1922 until 1930 we laid down only 21 men-of-war, most of those in sudden brief spurts of building, while Great Britain built 86, and Japan 125. Our wartime-built fleet aged into obsolescence without replacements; we not only failed to achieve parity, we declined into second and well down toward third place among the world's sea powers. At the London Conference of 1930 the policy of parity was extended and the 5-5-3 ratios amplified, but still we made no pretense of living up to the treaties.

How much our failure to maintain parity has contributed to the débâcle of the past few years—the falling apart of the world's carefully built up peace structure, the violations of treaties, the aggression in Asia, the tension in Europe—only time and secret documents still hidden in State archives can tell.

The reasons for this lack of consistency and stability in our naval policies are not hard to find. Naval policy so far in our history has rightly been dependent upon and subsidiary to our national policies, and hence to a certain extent must vary as they vary. A cursory study should convince the chauvinist that vacillation and inconsistency have characterized the application of our national policies. Even the few outstanding policies we have clung to through the years—the Monroe Doctrine, self-isolation, the open door, freedom of the seas—have

Naval Strength of the Powers

The following table is based on the latest available figures for warships that are under age, building and appropriated for:

	Capital Ships	Aircraft Carriers	Heavy Cruisers	Light Cruisers	Destroyers	Sub-marines
Great Britain	15	7	18	32	88	46
The United States	12	6	18	19	61	59
Japan	8	6	12	23	83	62
France	7	1	7	12	74	83
Italy	5	..	7	15	65	54

Total tonnage: Great Britain, 1,163,000; the United States, 1,022,000; Japan, 766,000; France, 571,000; Italy, 405,000.

met with shifting interpretations, and, in the light of recent events, some of these so-called basic concepts have been at least partially if not entirely altered. Hence the inconsistencies of our naval policies are understandable, though not entirely excusable.

Unfortunately, those inconsistencies of naval policy in turn affect our national policies, so that they again shift and twist like a weathercock, thus completing a vicious circle. Stable and well-defined national policies are, of course, the first requisite to any successful foreign relationship; perhaps our system of government precludes the possibility of any such stability; perhaps a wiser diplomacy and keener grasp of political realities could achieve it. The difficulty of introducing reasoned orderliness and systematized thinking in American international relations is, however, another question, but it is not the only reason for our ever-shifting naval policies.

The second reason for the non-crystallization of an American naval policy is the failure of the public to understand the uses and functions of a navy and to enunciate its mission. Admirals interpret naval needs in types and tons; politicians translate them into terms of the moment or into fat "pork barrels" of plunder; Navy Leaguers and chauvinists want a navy bigger than the biggest, and many pacifists, idealists and radicals gloss all naval requirements with the tar brush of militarism. Behind all these, the common citizen, who in the final analysis is the one who should determine what the navy is for and what size it should be, writhes in the tangled skein of twisted thoughts, is confused by the varied opinions of little minds, and does not consistently exercise the collective strength of a democracy—the power of public opinion.

In the navy's periods of decline public opinion in the United States has not been antagonistic to the service; it has been largely unaware of the navy. In its eras of growing strength there has been no informed body of public opinion to act as a check rein. Only trained and intelligent public opinion, opinion which understands the uses of a navy and which is interested and competent to define its mission and to limit its sphere of action can successfully frame our naval policies. A careful understanding of our foreign policies is the first essential; then the literate masses should be aided in defining the mission of the navy. But there has

been no general comprehension of the importance of our foreign relations and their bearing upon naval policy on the part of the American public; there has been no wholesale education of that public in the uses of a navy or in the necessity of defining a clear and reasoned naval policy.

That there has not been heretofore any such wide-scale thinking, any really collective direction of the navy's destinies, is only partially due to geographic and economic factors which made us, in the past, less dependent upon the sea than any other great power. It has been due also to a short-sighted policy on the part of the press and backward, even primitive, methods used by the navy. The press has not realized the growing importance of naval affairs to the people and the navy has done everything it could to keep them from realizing it. If such an attitude persists, the impossibility of establishing and maintaining a reasoned and consistent naval policy seems obvious. Unless the navy provides facilities for disseminating accurate information about all phases of its life and unless the navy becomes, like the army, a part of the people, there can be no informed and intelligent public opinion that is essential to a reasoned naval policy.

Despite the discouraging past, there is still hope. Shortly after the Roosevelt administration took office, the nation's naval policy was revitalized. The passage of the Vinson-Trammell bill which put the legislative seal of approval on a treaty-strength navy and which authorized the construction of ships and planes necessary to achieve parity and the maintenance of our fleet at treaty strength was in itself a statement of naval policy. But more important than the Vinson bill were the appropriations that followed it to make it effective and the careful and precise replacement planning initiated by Admiral William H. Standley, the present Chief of Naval Operations.

Admiral Standley's program, on which a start has been made, and for which detailed long-range plans have been drawn up, is in itself a secondary naval policy. But it is as yet merely a policy in embryo, for only time can tell whether or not our Congress in its wisdom will continue to support these plans with appropriations, or whether they will kill the unborn infant by neglect.

In brief, the plans envisage a consistent, orderly annual program of replacements for our obsolete and overage ships. The Vinson-Trammell bill provides for additions to the navy to bring it to parity with the British navy, or so-called treaty strength, by 1942; that bill concerns itself with making effective and actual what heretofore has been our theoretical policy of parity.

But Admiral Standley's replacement program looks beyond this immediate objective; it concerns itself with all future time; it is designed to promote a "business-man's navy" and to set up what will be, in effect, a permanent and consistent naval policy. This Admiral Standley would accomplish by the simple expedient of having the nation commit itself to an annual program of replacements. The cost of laying down each year the keels of twelve or thirteen men-of-war of various types to replace, upon completion, outworn ships of the fleet, would be included in the annual naval appropriation bill as a regular item.

By laying down periodically a number of new ships, a policy followed by Great Britain steadily and undeviatingly for decades, we would emphasize our intention to maintain our navy at high efficiency and all-

round strength. "Humps" in shipbuilding would be ironed out; post-war slumps, followed by sudden spurts in keel laying, periods of naval inactivity followed by eras of intense and feverish construction, would be largely avoided; the sine curve of the ships would be leveled off, and much of the friction and the damage to our international relations, the harm to our prestige and the misunderstandings engendered by our past haphazard "policy" would be obviated.

This program of replacements plus the Vinson-Trammell Naval Bill will, if implemented by Congressional appropriations (funds for approximately 71,000 more tons of ships and money to complete many of the eighty-four now building must be provided if the navy is to be built to treaty strength and over-age ships replaced by new ones) and carried through the 1940s as planned, not only give us a policy of parity in fact but also establish a precedent for all future time. And it should be a policy flexible enough to meet the demands of a changing world, to implement the varying national policies we may espouse. The fleet itself may change in size as our national needs dictate, but—if the fleet be brought to treaty strength and Admiral Standley's replacement program put into and kept in operation—we shall have made the first step toward a consistent naval policy.

The second step—the setting up of an organization within the naval service for the dissemination of fact, not propaganda, and the creation of public interest in the navy and its problems—must follow the first, or the maintenance of a naval policy is impossible. And the adoption and maintenance of a reasoned and stable American naval policy, backed by intelligent public opinion, not only would have an incalculable influence upon the future of the navy but would indubitably affect the fortunes of the nation.

Never was the necessity of a naval policy so apparent as it is today. With another administration and without the establishment of reasoned relations with the press, the navy, despite the bright prospects offered by Admiral Standley's program, might well lapse once again into a lethargic state of decadence, one of the periodic declines that we should avoid.

The other alternative to this dismal future is even more terrible, though in its extreme form less likely, but it would be equally damaging to any hope of a consistent and intelligent naval policy, and, in the long run, it might be fatal to our form of government. That other alternative is an unbridled building program—a naval race—and the consequences it might bring. Fascism is a chimera of alarmists, perhaps, but fascism often results when military and naval forces are first given free rein and then take the bit in their teeth.

There are already disturbing straws in the wind—the demand in some quarters that we match Japan's ships two for one, the navy's preparations for additional construction after 1936, the super-secrecy of the last manoeuvres, the increasing severity of naval regulations governing censorship and publicity; above all, the recent passage by the Senate of the "disaffection" bill sponsored by the navy, a bill described by many newspapers as a "real threat to the freedom of the press."

The apparently inexorable course of events is today forcing the nations of the world slowly to an international crisis. The world waits for the tocsin of war; the world prepares for a naval race. The nations are temporarily held in leash only by the provisions of the Washington and

London naval treaties which are in force, despite Japan's denunciation, until the end of 1936. Discussions to supplement those treaties and to extend or revise their provisions had been scheduled for this year and already have been prefaced by the surprising Anglo-German naval agreement, which instead of stabilizing the naval question apparently has done much to complicate it. There seems considerable doubt at the time of writing whether further conferences will be called, and as last year's abortive discussions with the Japanese at London showed there can be no progress in such discussions unless one of the sea powers concerned is willing to yield on basic points.

All in all, there is little likelihood that the peace structure so carefully built up on the basis of the Washington and London treaties can be saved from complete wreck; if any sort of treaty agreement is arrived at among the world's sea powers it will be surprising if it does not permit considerably increased building rather than limit or further reduce present sea establishments.

Further naval construction thus seems likely; the problem is to prevent it from degenerating into a naval race and the disaster such a race carried to its absurd finish would bring. As the Nye committee so well pointed out in the report on naval shipbuilding, "the navy is an instrument of national policy. Its growth and activities are watched abroad and take part in changing the foreign policy of other nations. Such changes work back to reshape our own national policy. The growth of a navy contains within it the seeds of armament races and wars as well as the legitimate seeds of a purely defensive national life insurance."

Beyond the shadow of a doubt the navy and the nation must now choose between a return to the old, wasteful, irritating policy of fits-and-starts, or a dash headlong upon the rocks of unbridled building, war and fascism.

There is a way out of these dangers, and the guiding light to safety is Admiral Standley's replacement program. It is a program flexible enough to meet the demands of any change in national policies; its purpose, an efficient navy, and its method, the replacement of obsolete by modern ships, can meet with the objections of none who believe in the maintenance of a navy, no matter how small. Admiral Standley's program offers the surest insurance against those spurts and surges, lulls and lapses in naval building which spell friction and irritation in our international relations.

This program also offers a check rein upon unbridled building, since any Congress, no matter how much inflamed by prejudice or passion, will hesitate before appropriating funds for a gigantic fleet when it knows that that fleet for an indefinite future time will require annual replacements which will be a tremendous yearly drain upon the nation's resources.

For the first time we have a program that offers a basis on which a consistent and intelligent naval policy can be built. But this basis must be supported by a public opinion educated and interested enough to determine for itself what the naval policy of our nation shall be.

It is the people's problem; as the people decide so shall the problem be solved. But upon a small section of the people, upon the gentlemen of the press, the gentlemen of the navy, and those in high places, rests the responsibility of guiding and molding public opinion. And theirs is a heavy responsibility.

Whither the Philippines?

By GRAYSON L. KIRK*

WITH the inauguration on Nov. 15 of Manuel Quezon, who on Sept. 17 was elected the first President of the Philippine Commonwealth, a new era opens in American relations with the Far East. According to present plans, the United States will at once reduce its control to a minimum, and ten years hence will withdraw entirely, leaving behind a free people prepared for nationhood.

And yet there is little rejoicing in the Philippines at this prospect of national freedom, even if there is warm popular approval of the independence program, as was indicated by the overwhelming vote in the plebiscite last May. Privately Philippine leaders in business and politics are not at all happy for a variety of reasons which can all be summed up in this one question: Can the Philippine State, in view of general world conditions, and especially those prevailing in the Far East, maintain its independence once it has been established?

The leaders are now beginning to realize that under the present terms of the Independence Act it will be extremely difficult for the economic structure of the islands to survive separation from the United States. If then the Philippine structure should collapse and disorder should arise, what is to prevent Japan from using this pretext to intervene as she has in Manchuria? Japanese imperialism is not to be waved lightly aside, even by the most optimistic Filipino politician, and fear of it may yet cause the native leaders to ask the United States to retain some form of economic and perhaps even political association with the islands.

When the United States took the islands from Spain, Americans were somewhat embarrassed by this rich booty of a righteous crusade undertaken to make Cuba free. Annoyed by foreign comment about American hypocrisy as well as by the unexpected vehemence of criticism at home, the Republican leaders hastened to assure the Filipinos—and the world—that this was no ordinary conquest. "We shall continue, as we have begun," said President McKinley, "to make these people whom Providence has brought within our jurisdiction feel that it is their liberty, and not our power, their welfare, and not our gain, we are seeking to enhance."

From the beginning leading American officials had spoken of the progressive enlargement of self-government and hinted that the policy of the United States might ultimately, if the Filipinos persisted in demanding it, be that of *independence*. Without there being at any time any express commitment by Congressional resolution or in any other form on the question of eventually giving the islands their independence, there was enough encouragement from high sources to keep the issue very much alive.

Its vitality, of course, came chiefly not from Washington but from Manila. The Filipino politicians early

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learned the value of those magic key words, "Liberty" and "Freedom," which speedily became the chief stock in trade of all native aspirants to a public career. So thoroughly, in fact, have the Philippine masses been indoctrinated with the idea of independence that it is today almost political suicide for a leader to recant on this issue. Unfortunately, this mass conviction now obstructs the settlement of the problem, for it has become a barrier beyond which Filipino statesmanship cannot go.

After the close of the World War Philippine propaganda became vigorous and insistent. The Wilson administration, committed by party tradition to granting independence, hedged when faced with the responsibility of power. Though it enacted a law which greatly widened the sphere of Philippine self-government, its only commitment to anything more was stated in the preamble to the Jones Act in which the withdrawal of American sovereignty was promised "as soon as a stable government can be established."

The ensuing twelve years of Republican rule brought the Philippines no nearer to their goal. Repeated missions and petitions were courteously received in Washington, but the rapid expansion of American foreign trade and the boom conditions in American industry destroyed official interest in the problem. Twice during the twelve years investigators were sent to the islands, and each time they reported that the advance made had been astounding. Public education had spread; sanitation and public health had been improved; highways had been constructed; native standards of living had risen.

Nevertheless, both reports agreed that early independence was out of the question, and in Washington, accordingly, the general view was that it was unthinkable, at least for a generation. By that time the Filipinos, happy and contented amid the blessings of their share in America's abounding prosperity, would, it was thought, be pleased to remain indefinitely under the Stars and Stripes.

The United States, from the outset, sought to improve Philippine economic life by encouraging foreign trade. Complete free trade with the United States began in 1909, subject only to certain quota limitations, and since these quotas were abolished in 1913 there has been no tariff of any kind to affect the flow of commerce between the two countries. Under this stimulus Philippine foreign trade rapidly expanded, the total value of exports and imports increasing by 370 per cent in the twenty-year period 1909-1929.

Two factors in this growth of trade are of vital significance. First, the Philippines soon became dependent upon the American market. In 1900 the United States took only 12 per cent of the islands' exports. In 1934 the United States supplied 65 per cent of their imports and took 87 per cent of their exports. The second factor is the concentration of the export trade on a few agricultural commodities. One crop, sugar, accounts today for more than 60 per cent of all Philippine exports, and it is all marketed in America. Last year four items—sugar, coconut products, hemp products and tobacco—constituted over 90 per cent of all Philippine exports. Nor has this growth of trade been by any means one-sided.

The Philippines ranked in 1933 as the eighth best customer for all American exports, and as the best of all for cotton cloth, dairy products and cigarettes, as well as the best Oriental market for such commodities as meat

products and iron and steel manufactures. Potentially, the market is perhaps even more valuable, for the Filipinos have learned to like American products, and, when they are able to do so, buy them in preference to cheaper competitive products.

Despite the mutual advantages that arise from this exchange, the Philippine economy is basically unsound. Philippine prosperity depends too greatly on export trade, and that trade depends too greatly upon the American market. Politically, the islands have been steadily moving toward greater autonomy; economically, they have been moving just as steadily toward an ever closer integration with the United States.

If the Philippines had been freed because they were prepared to assume the burdens of independent Statehood, the story would be different. Actually, the United States Congress had no such statesmanlike motives. Under the pressure of certain farm organizations it passed the Independence Act, but only because a tariff wall could then be raised against Philippine imports. Had there been any other way to shut out Philippine sugar and coconut oil the issue of independence would still be academic.

No one in the United States seriously objected to Philippine imports until the depression. But in 1930, when prices of sugar and domestic fats and oils slumped, farm organizations began to campaign. It seemed to them that the unlimited duty-free importation of Philippine sugar and coconut oil was a primary factor in lowering American farm prices. First they tried, in the hearings on the Smoot-Hawley Tariff Act, to obtain a tariff on Philippine imports. When they found that so long as the islands remained under the American flag this was impossible, they decided to support the demand for independence, and the Philippine leaders suddenly found that a powerful and aggressive group in the United States had taken over the championship of their cause.

The arguments advanced by the Farm Bureau, the Grange, the dairy associations, the cottonseed crushers and the domestic sugar growers were extremely simple. The beet-sugar growers, said President Cummings of the National Sugar Beet Growers Association, could not be convinced "that 1,000,000 tons of sugar placed on this market, produced by people who work for 35 or 40 cents a day, when the freight from that point is less than is paid on a sack of sugar from Denver to Omaha * * * does not depress the price of sugar." Similarly, a resolution of the American Farm Bureau Federation said: "It is an idle gesture to place even high rates of duty on farm commodities and then allow such commodities or substitutes therefor to enter our markets duty free from our so-called colonies or dependencies. Therefore we favor immediate independence for such dependencies."

The general sentiment was summed up by Senator Heflin when he said: "They [the Philippines] are hanging like a millstone about the necks of the cotton producers and the peanut, bean and corn producers. Let us give them their independence and get rid of the Philippine Islands now. * * * Let us * * * go on record as being in favor of freeing the Philippine people, giving them their independence, and hereafter when this cheap and inferior stuff comes in to swamp our American farmers we can put a tariff on it."

The contention that Philippine imports of sugar and coconut oil adversely affect American prices for sugar and domestic fats and oils is difficult to prove. The United States, for one thing, has never been self-sus-

taining in regard to sugar. In 1933 the United States produced only 26.5 per cent of its needs. From Hawaii it brought 15.5 per cent; from Puerto Rico, 12.5 per cent; from the Philippines, 20 per cent. Cuba supplied the remaining 25.5 per cent. Authorities generally agree that, as American producers are able to supply only a small part of the demand, the price of sugar in the United States is equal to the world price, plus approximately the full amount of the tariff on Cuban sugar imports. Duty-free Philippine sugar can thus hardly have an adverse effect upon American sugar producers, for, unless the Cuban tariff preference is abolished, the sole result of eliminating Philippine sugar would be to give exactly that much more of the American market to Cuba.

The rapid increase during the past decade in Philippine sugar exports to the United States has, however, been unfavorable to Cuban sales, and so New York financial agencies interested in Cuban sugar have ardently supported Philippine independence. But these interests did not cooperate openly with the domestic producers because, while both desired to destroy Philippine competition, the latter are equally determined to end the Cuban preference. Nevertheless, both worked with the same object. That meant assuring Cuba of a possible market for an additional 1,000,000 tons of sugar a year, the Philippine exports to the United States having reached that figure in 1932.

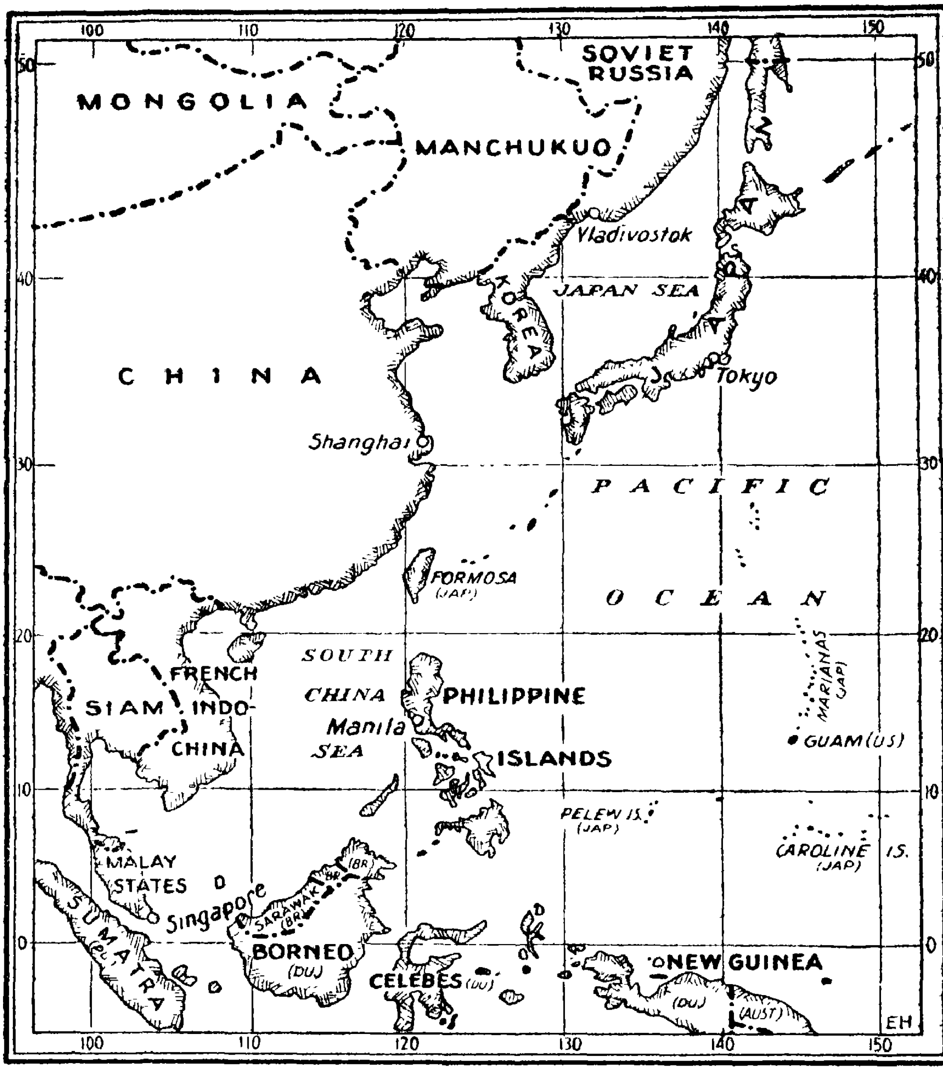
The coconut-oil problem is similar in many respects. The great volume of coconut-oil imports, which reached 187,000 long tons in 1929, can affect domestic oil producers only if the two products are interchangeable, the use of one or the other depending solely on their relative prices. Despite many exaggerated claims by both sides, the weight of evidence is clearly against the arguments of the American farm groups.

Most coconut-oil imports go into the soap kettle, and soap manufacturers, supported by expert testimony, insist that no domestic vegetable oil can be used as a satisfactory substitute. Most American cottonseed oil is used in the manufacture of shortening, for which coconut oil is unsuitable. Even if a tariff on coconut oil might cause margarine manufacturers to return to domestic animal fat, the butter producers would scarcely benefit, because the price spread between butter and margarine would still be great enough to prevent any serious shift to butter.

The American agricultural groups that led the agitation against the Philippines were either ignorant of the facts or they allowed themselves to be misled by their Washington lobbyists, who saw in the Philippine issue a means of proving their worth to those who employed them.

The Independence Act itself demonstrates the forces that were behind it. Although the islands must keep their markets open to American goods throughout the ten-year period preceding the grant of full independence, immediate quota limitations are to be placed upon Philippine exports of sugar, coconut oil and cordage to the United States. These are to be supplemented by special export taxes collected by the Philippine Government during the second five years of the period. Not satisfied with this one-sided arrangement, Congress scarcely waited until the Independence Act was signed to enact a law imposing a special excise tax on coconut oil and another establishing a quota system for all American sugar imports.

When the islands are entirely cut off from the American market, the coconut-oil industry will be completely



The Philippines and Their Neighbors

ruined. Future American oil imports will be in the form of copra. Likewise, the cigar industry faces ruin. But, since the world demand for Philippine copra and leaf tobacco remains substantial, the basic coconut and tobacco industries should survive without serious difficulty.

Sugar is the real problem. Thanks to Americanization, costs of production in the Philippines are so high that there can be no effective competition in the world market with other areas like Cuba or Java. Unless the American market is kept open, virtually on a free-trade basis, the industry seems doomed. More than 2,000,000 Filipinos depend on it for their livelihood and, since it supplies 60 per cent of the government revenues, its destruction may imperil the whole independence experiment. Political stability too may be jeopardized if the government services, such as health and education,

are drastically curtailed because of lack of money and if this comes at a time when millions of scarcely literate people are experiencing serious economic hardship.

Sugar exports are also vital to the safety of Philippine banks and other institutions. As recently as eighteen months ago the Governor General reported that 47 per cent of the loans and advances made by the ten Philippine banks were upon sugar, and that 77 per cent of the $22,500,000 total of loans by the government-owned National Bank is upon the same commodity. More than 40 per cent of the revenues of the government-owned Manila Railroad comes from the sugar traffic.

Filipino leaders speak confidently of solving these problems by diversifying crops and by developing industries which, by supplying local needs, can reduce dependence upon imports. Impressive lists of commodities that can be raised or manufactured in the islands have been drawn up, but diversification is a slow process at best, and industrialization requires large amounts of capital, which at present are certainly lacking. Under the Independence Act the prospect is that foreign capital will be driven out rather than attracted, unless, of course, a foreign government should encourage investment for political purposes. One thing is sure, that the existing supply of Philippine investment capital is not large enough to finance a program of industrialization.

It is conceivable that a weak and struggling Philippine State might survive separation from the United States if it could be sure of freedom from foreign interference. But the Far Eastern area offers no such guarantee. The problem of self-protection and self-preservation will be with the Filipinos from the beginning, but not even the most optimistic of them dream of creating an army or navy that would be safeguards against aggression. The only hope is, therefore, membership in the League of Nations, together with an internationally guaranteed or neutralized status, or perhaps a close alliance with some great power.

Membership in the League is obviously of considerable value, but it can offer little security to a weak State, especially in the Far East. Nor is it likely that a great Western power would enter into an offensive and defensive alliance with the Philippine Government. Such an alliance would be of little or no value to the great power, and it would be certain to create friction with Japan.

There remains the possibility of neutralization—the solution hit upon by the framers of the Independence Act. Many Filipino leaders believe that independence can be jointly guaranteed by all the great powers with Far Eastern interests. They argue that the islands are so centrally and so strategically situated that all those powers would rather join in the policy of neutralization than risk the safety of their existing possessions. But as an obstacle there is always Japan. Neutralization would conflict with the Japanese Monroe Doctrine for the Far East, and it is doubtful if the present Japanese Government would support a program opposed to that policy. Even if neutralization can be achieved, would it really offer protection? Filipino leaders speak reassuringly of the peaceful history of neutralized Switzerland, but they seem to forget what happened to another neutralized State—Belgium.

The real political problem is Japan. Alarmists picture the Japanese Navy moving into Manila Bay the day after

the Americans sail for home. Optimists argue that Manchuria and North China will absorb the attention of the Japanese for many years, and that Japan cherishes no territorial ambitions in the Philippines. Both are probably wrong. It is equally absurd to talk of a Japanese occupation coming on the heels of the departing Americans, and to expect Japan, even if she makes no effort to bring the islands within the orbit of her empire, not to desire a dominant position there. The Philippines possess much that is attractive to Japan, above all, strategic position. If Japan could control the entire archipelago she would control the entire chain of islands that screen the coast of Eastern Asia and be able to carry further the penetration, commercial or otherwise, of the British and Dutch possessions in the East Indies. Japan would then be supreme throughout the entire Far East.

Colonization is another matter to be considered. The Japanese, it is frequently said, do not thrive in so tropical a climate as the Philippines and no amount of pressure could force many colonists to settle there permanently. Yet, plausible as this sounds, there are now 20,000 Japanese in the islands, most of them residing as permanent settlers in the Province of Davao, which is only 6 to 8 degrees north of the Equator. Actually, the Philippines offer a fertile field for colonization. The population of the islands averages only about 120 to the square mile in contrast to that of Japan, which is now about 450. At the same time, the Philippines possess raw materials which would be of considerable value to Japan—the largest iron ore reserves in the Far East, gold, lead, manganese, chromium and magnificent hardwood forests estimated to contain over 460,000,000,000 board feet of commercially valuable lumber.

The Japanese will unquestionably try to carry out a complete economic penetration of the islands. By supplying capital they can develop the abundant raw materials and they can monopolize the Philippine import market, supplying virtually all the textiles and other products that are now bought from the United States. Such a commercial entente will not, however, solve the Philippine sugar problem, because the Japanese already produce in Formosa more than they require for their own needs. The only connection between the impending sugar crisis and the Japanese problem is that it is likely to offer an opportunity for the opening wedge of Japanese penetration.

What of the United States? The present policy of complete withdrawal at the end of the ten-year period may be followed, thus abandoning the Philippines to whatever fate may befall them. This is the only plan that is warmly supported by many influential persons at Washington. They believe that the retention of any interests in, or relations with, the Philippines constitutes an element of weakness in America's world position, and they argue that withdrawal may possibly avoid the danger of war with Japan. It is of no great concern to those who support this view that such a policy seems destined to throw the Philippines into the arms of Japan, thereby destroying both the results of thirty years of American work and the Western Christian civilization which the islanders now possess.

As a second choice, the United States might amend the Independence Act by removing the export-tax provisions and by giving the Philippine Government greater autonomy in fiscal and tariff matters. This might be supplemented by the assurance that the United States is prepared to nego-

tiate a trade-preference treaty admitting sugar, coconut oil and other commodities virtually free on a quota basis in return for a favored position for the chief American exports in the Philippine market. If this course were followed, the islands could possibly weather the storm without the internal chaos that would invite rapid Japanese penetration. There would, of course, still be no absolute guarantee that the government could maintain its independence in the face of a determined policy of Japanese expansion, but it would at least free the United States from the charge that the Philippines had been deliberately sacrificed for the sake of certain American economic groups.

A third solution might be some form of Dominion status that would perpetuate a political association between the two countries. Such a solution would, if coupled with the trade policy already mentioned, offer an even greater assurance for the future stability of the Philippine republic. It is this plan that most responsible Filipino leaders secretly, and in some recent cases openly, support. Naturally, its adoption would be most pleasing to Great Britain, France and the Netherlands.

If there is any feeling of responsibility in the United States toward the Filipinos and their future, the objectionable trade features of the present program should be abandoned and replaced by an arrangement that will offer the Filipinos some chance to maintain their independence once they have achieved it. If there is no feeling of further responsibility, and if the United States is to subordinate questions of national policy to the self-seeking of this or that lobbyist group, then the country should know what it is doing and why it is doing it.

The Bank of France Under Fire

By HERBERT L. MATTHEWS*

THE internal torment through which France is going has yielded no more heated or bitter debate than that which is raging around the Bank of France. It is more than a great financial institution upon which the fiscal, banking and industrial structures of France depend for leadership; it is now a vital political issue which will certainly add much fuel to the flames of domestic discord this Autumn and Winter.

Since the Bank of France was created in 1800 by Napoleon, then First Consul, there have been many régimes and many rulers in France—emperors and kings and presidents. There have been revolutions and wars. Three times the frontiers have been crossed by invading armies. Once—in March, April and May, 1871—Communists ruled Paris, where the head office of the bank and much of its gold have always been. Yet the Bank of France has gone through it all; it is still the same institution, ruled by essentially the same statutes, with the same structure and the same functions that Napoleon, who had become "by the Grace of God and the Constitutions of the Republic, Emperor of the French," gave it in final form on April 22, 1806.

It is the same, and yet not quite the same. Throughout its long and very honorable history it never openly mixed in politics until the Spring of 1935. Opinions on the necessity and value of that intervention differ radically, but the fact remains that the Laval government and the deflationary policies it has been pursuing are the indirect results of that intervention. The passions which it aroused have not yet died down.

"There exists in our country a Bastile which is the stronghold of resistance to popular sovereignty and the will of the State!" cried Leo Legrange, Socialist Deputy, in the memorable debate in the Chamber of Deputies on June 7 when Premier Laval received his majority. "This is the Bank of France and its Council of Regents!"

A week later (June 15, 1935) *La Lumière*, an influential weekly with Socialist leanings, took up the cry: "For fifteen days, openly, cynically, the Bank of France, taking as a pretext a panic skillfully organized, has given orders to the public authorities. For fifteen days the Bank of France has publicly defied popular sovereignty. * * * Now that the feudal plutocracy which governs us has revealed to our eyes its centre and methods of action, now that Parliament and public opinion are finally enlightened, the struggle is being undertaken with the certainty of victory. The country will no longer submit to the will of a financial oligarchy, directed by M. de Wendel and M. de Rothschild. Republicans of all shades, you must unite to tear down this Bastile! You seek a program. There it is!"

Many other such quotations could be given. As late as Aug. 2 the news-

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paper *Le Quotidien* wrote editorially that "the Regents of the Bank of France exercise in our country the rôle of quasi-sovereigns."

At the bank itself they smile wearily, shrug their shoulders philosophically, and make patient explanations which, perhaps, could be boiled down to this: "We saved the franc through this desperate crisis; we protected the nation's wealth; we prevented a financial panic; we spared France possible economic ruin internally and the loss of its prestige abroad. If this is playing politics, make the most of it! The Bank of France has weathered many and worse storms in its long history, and it will weather this one."

An understanding of the background to this debate is of vital importance to any one seeking to interpret the political situation in France with its tremendous possibilities for good or ill the world over.

What is the Bank of France? One well-known definition describes it as "a State institution in the form of a limited liability company." The holders of its 182,500 shares are private individuals. The State has not a single share, but it appoints the governor and the two assistant governors, and the bank is the Treasury's fiscal agent, as well as the country's sole bank of issue. "I want the bank," Napoleon declared, "to be sufficiently under the control of the governor, but not too much."

The 200 largest shareholders, who must be French citizens, form the General Assembly, in which each shareholder has one vote regardless of the size of his holding. However, from among these, fifteen regents and three censors are chosen. They, with the governor and assistant governors, form the general council, which rules the bank in all its ramifications and controls its policies.

The governor must own at least 100 shares of the bank and each assistant governor at least fifty. There is an unlimited term of service for these officials. Governor Georges Pallain, for instance, held office from 1898 until the end of 1920, carrying the bank with extraordinary skill through the vicissitudes of the World War. The governor presides at meetings, directs the internal administration of the bank, executes decisions of the general council and supervises the carrying out of laws and decrees.

The fifteen regents must each own at least thirty shares, though actually they now need at least eighty-five to get into the General Assembly, which elects them. Five are chosen from among manufacturers or merchants, three are officials of the Treasury (almost always Paymasters General). The rest are not designated in the statutes, but for the most part have turned out to be bankers. The regents are like directors of an ordinary corporation. They meet weekly, supervise all departments of the bank, fix the rates of discount and other interest rates and, with the censors' approval, determine the issuance of bank notes. The censors, who are also elected by the Assembly, supervise all the bank's transactions, have the right to see all accounts, registers and books, and report to the Assembly every twelve months. They are permitted no voting privileges.

This is the general structure as it was devised by Napoleon, with the aid of his astute Minister of the Treasury, Count Nicolas François Mollien, and there has been no change since. How that apparently democratic framework has been manipulated so as to place the bank and its tremendous power in the hands of a group of families which passes its privileges on like so many dynasties, furnishes

the chief clue to the present trouble.

According to the last annual statement of the Bank of France, there were on Dec. 26, 1934, 41,668 shareholders, dividing among themselves the 182,500 shares of the capital stock. On the face of it nothing could seem more democratic, but here is the way it really works out:

Number of shareholders possessing 1 share	18,238
Number of shareholders possessing 2 shares	9,071
Number of shareholders possessing 3 to 5 shares	8,164
Number of shareholders possessing 6 to 10 shares	3,545
Number of shareholders possessing 11 to 20 shares	1,483
Number of shareholders possessing 21 to 30 shares	573
Number of shareholders possessing 31 to 50 shares	331
Number of shareholders possessing 51 to 100 shares	182
Number of shareholders possessing more than 100 shares	81
Total	41,668

It will be noted that there are only 6,195 persons who have more than five shares. The number holding only one share forms 43 per cent of the total, and those holding one or two, 65 per cent. To make up the Assembly, which alone has any part in controlling the affairs of the bank, one takes the 81 shareholders owning more than 100 shares, and 119 of the largest holders in the group possessing 51 to 100 shares. That means a man would have to own about 85 shares to qualify for the Assembly.

When Napoleon founded the bank the par value of the shares was 1,000 francs. At its present relatively low figure the stock is being quoted at about 10,000 francs (during the boom years it was as high as 23,000 francs). It would require, therefore, an investment of about 850,000 francs ($56,385 at par) in the stock of the bank to begin to qualify for the Assembly.

Those who do join this select group of 200 thereby become an influential force in the French national economy. The right to sit in the Assembly is as highly prized as a Stock Exchange seat is by a Wall Street broker. Moreover, there are many families who hand down their holdings from generation to generation. The old nobility has always been very well represented. In a recent list were to be found the names of de la Rochefoucauld, de Ludre, de Montholon, du Breuil, de Pontbriand, de Vogüé, de L'Aigle, de Pourtalès, de Reinach, de Remusat, de Ribes.

These and the other members of the Assembly nominate the all-powerful regents. And here we touch the very heart of the problem, for we find that a small group of bankers, closely allied with another group of important business leaders, not only dominate the Council of Regents and, through it, the entire workings of the bank, but in studying their ancestry and connections we discover that the families to which they belong have always occupied the same dominant rôle. Let us look at the present list of regents.

First come the six bankers. The most influential among them, it is generally understood, is a relative newcomer—Baron Edouard de Rothschild, head of the French branch of his family and director of the Banque Rothschild Frères. The Rothschilds, it will be recalled, financed the European revolt against Napoleon and helped prepare his defeat at Waterloo. Louis XVIII, who was duly thankful, admitted them into France. Under Louis Philippe they gained power, and under Napoleon III consolidated it. Baron Alphonse de Rothschild became a regent of the Bank of France in 1855, and the family has had a representative on the Council of Regents ever since. Whenever there are dema-

gogic ravings in Parliament and in the press against "high finance," it is Baron Edouard de Rothschild that is singled out especially for accusation.

However, there are four other members of the council who are even more firmly entrenched. Each of them heads a great private bank which bears his name and which his ancestors before him carried on from the time they left Switzerland during Necker's financial ascendency at the end of the eighteenth century.

In the original statutes of the Bank of France, under the date of Feb. 13, 1800, there is a list of the first regents. In a group named by Napoleon himself figures a certain "Mallet the elder, banker, Rue du Mont-Blanc." The present list of names contains the thirteenth regent belonging to that family, Ernest Mallet. At the last General Assembly he was re-elected for a period of five years. Then there is Baron Hottinguer, head of the Banque Hottinguer. The Hottinguers entered the Council of Regents for the first time in 1803, and they have been there ever since. A third member of this most select of all banking groups is the Baron Jacques de Neuflize. The fourth is Pierre Mirabaud, elected this year nominally to succeed Felix Vernes. The latter also presided over the same type of powerful private bank as the others mentioned here. His father was a regent of the Bank of France, and so was his great-grandfather, from 1832 to 1857. The new head of this bank will almost certainly become a regent before long. M. Mirabaud is the head of the bank of that name. He is really the successor on the council of his uncle, William d'Eichthal, who died last year. This latter succeeded his uncle, Paul Mirabaud, who in turn succeeded another uncle of the family, Adolphe d'Eichthal. In this case the regency has descended four times, from uncle to nephew.

The absence of a Vernes from the present list must not obscure the fact that the head of the Banque Vernes will doubtless always play an important part in the affairs of the Bank of France.

For nearly a century and a half these five great private banks (Mallet, Hottinguer, Mirabaud, de Neuflize and Vernes) have handled the affairs of the wealthy nobility and the *grande bourgeoisie*. They have been, and still are, the controllers of the great French family fortunes. The importance to them of being regents is paramount. They are thus placed in a strategic position to estimate the value of new enterprises coming on the market, to control the movement of capital and discount and rediscount rates, to have their hands on the financial pulse of the country and prepare in advance for booms or slumps.

The heads of these banks have always seen to it that they owned large blocks of Bank of France stock. In the Assembly they can always be assured of many votes from members of the families whose fortunes they manage or fellow-members of the directorates of the innumerable companies to which they belong. In fact, directorates flow to them—almost come begging—for it is highly desirable that the great corporations have a regent of the Bank of France on their boards.

There is one more banker on the list, a newcomer, just elected this year—D. David-Weill, head of the Banque Lazard Frères, another very large and powerful private bank.

The list of "manufacturers and merchants" is hardly less interesting. There is the Marquis de Vogüé, president of the Suez Canal Company and

head of many other powerful interests, whose family for two centuries directed the famous Manufacture de Glaces de Saint-Gobain, founded by Colbert, which has now become the largest chemical concern in France.

Perhaps the most famous of the regents, and certainly the one most often singled out for bitter denunciation, is François de Wendel, the heavy industries magnate, head of the house of that name, president of the Comité des Forges, which embraces the great French armaments trust, director of many great corporations and—to cap the climax—Senator from Meurthe-et-Moselle. Because of his position he is the parliamentary spokesman for the bank and a powerful figure in politics. He it was who, in a sensational address last Autumn, called upon the then Premier Flandin to embark upon a deflationary program. M. Flandin sealed his doom by refusing.

The rest of the list are great figures in French industry, though little known abroad. There is René Duchemin, president of the vast chemical combination known as the Etablissements Kuhlman. Two other leaders of the chemical industry, Maurice Tinardon of Alais-Forges et Camargues and Camille Poulenc of Rhone-Poulenc, are regents. The last of the "merchant" group is Robert Darblay, head of the paper concern bearing his name.

We have now listed twelve of the fifteen regents. The other three, by statute, must be government officials. They are now almost invariably Paymasters General, and rarely play an active part in the management of the bank. The present holders of the seats are Louis Blanc, Charles Prévost and Jean Véraguth.

From the necessarily curtailed description of the regents just given it might seem as if the bank was dominated by bankers and chemical magnates. Actually, every one of the twelve first mentioned is a director of a great many concerns in connection with which—and this is the important fact to remember—they meet as fellow-members one or more other regents of the Bank of France.

An astute French journalist, Francis Delaisi, in a sensational article which appeared in the weekly, *Vu*, on June 26, 1935, gave the results of his patient researches into lists of directors. He found that the twelve regents of the Bank of France were on the board of no fewer than 95 corporations, on which they occupied 150 seats. These included 31 private banks, 8 insurance companies, 9 railroads, 8 shipping concerns, 7 metallurgical, 6 electrical and 8 mineral concerns, 12 chemical industries and 7 miscellaneous corporations.

Through these interlocking directorates the regency of the Bank of France is enabled to straddle a virtually complete cross-section of French finance and industry. Each group has permitted two or three regents from other branches of industry to join its boards of directors. The five great family banks already mentioned have formed a separate single bank called the Union Parisienne, which has on its board not only the head of each of the original banks but also François de Wendel. Baron Edouard de Rothschild meets three of these bankers on the boards of the Assurances Générales and the Nationale (insurance companies). He meets M. de Wendel on the Est (railroad system), Baron de Neuflize on the Paris-Lyon-Mediterannée (another railroad system), M. Duchemin on the Nord (still a third railroad). And so it goes. M. Delaisi was able to find only one regent who was director of a single corporation—M. Poulenc.

These intricate combinations make not only for harmony in the Council of Regents but for immense power. If there were ever a representative group of "high finance" this is it. There is apparently only one check on this enormous power—the governor and assistant governors. Yet a study of the history of the bank, particularly its contemporary history, does not indicate that it is an important check. Critics of the bank point out that one of the weak links in the governor's armor is that he must own at least 100 shares. That represents something like 1,000,000 francs ($66,335 at par) at the present time. Frequently the nominee is not wealthy enough to acquire this stock. He must borrow some of the money, or perhaps he borrows the shares. But most of the shares are in the hands of the regents and their supporters in the Assembly. There becomes involved a relationship of debtor to creditor which those hostile to the bank have made much of.

Moreover, there have been many cases of retired, or dismissed, governors finding lucrative directorial or executive positions in companies run by regents. The Suez Canal Company and the Banque de Paris et des Pays-Bas are notable havens of refuge of that sort. Unfavorable comments are naturally heard on the subject.

Most of all, however, is the very natural development that the governor finds that the regents in protecting their own interests are thereby protecting the vital industrial interests of the country. What is good for them is good for the capital structure of France. M. Tannery, whom Premier Flandin put in the place of the summarily dismissed Governor Moret, is an outstanding example of the impossibility of a governor's entering into conflict with the regents. He was placed in his present post to carry out M. Flandin's desires for support by the Bank of France of the government's liberal credit policies. M. Tannery, instead, became as orthodox and conservative as any of the regents. In other words, he found it impossible to follow Premier Flandin's program without apparently wrecking the economic and financial structure of the country. As a result, M. Tannery is still governor of the Bank of France, while M. Flandin is no longer Premier.

Enough has been said to indicate why M. Delaisi feels entitled to end his article with this bitter comment: "In earlier days, when the King was a minor, a Regent governed in his place. Democratic France now has twelve regents."

Great emphasis has been placed upon the composition and powers of the Council of Regents because it illumines not only the political controversy now raging but indicates the extraordinary power for good or ill placed in the hands of this small group. But this should not obscure the fact that the Bank of France, as a great financial institution, plays a predominant rôle in the country and among central banks of the European Continent, quite apart from politics. There are only fifteen regents out of a total personnel of 4,541, according to the latest statistics. There are eighteen branches in Paris and the suburbs, in addition to the head office, and 159 branches, 84 sub-branches and 399 "attached cities" throughout France, which carry the manifold operations of the central banking system to the four corners of the country.

The total operations of this huge system during 1934 represented 104,474,418,000 francs. There were 25,745,136 commercial bills discounted for a total of 45,048,390,900 francs. The

discounting and rediscounting facilities of the bank and its branches are quite remarkable. Three signatures are needed, or two signatures with the deposit of securities, warehouse receipts or separate deeds of guaranty. Yet, despite this complicated system, bills as low as 5 francs can be discounted. Here is an interesting list of commercial bills discounted during 1934, at the head office in Paris, which shows the extent to which the bank is a medium for the smallest business men. In the provinces the proportion of small bills is even greater:

Bills of—		
5 francs to	10 francs....	5,597
10 francs to	50 francs .	348,820
50 francs to	100 francs.	676,662
100 francs to	1,000 francs	3,398,545
1,000 francs to	10,000 francs	1,274,945
More than	10,000 francs....	210,012
Total......		5,914,581

Rediscounts for other banks form a large part of the bills discounted, especially for the great credit establishments, which can carry on transactions with small cash reserves, knowing they can always raise cash in emergencies at the Bank of France.

Another of the bank's most important functions is to issue the nation's money. It has had the exclusive privilege of doing so since 1848. Notes can be issued only as a counterpart to statutory operations, i. e., cash deposits, discounts of commercial bills and advances on securities and bullion. Until the monetary crisis of 1924-28, there was no legal metallic coverage, but there was a maximum of circulation which ranged from 2,400,000,000 francs in 1870 to 58,500,000,000 francs at the end of 1925, when the inflationary movement was at its height. Even this figure was exceeded during the next two years and a half, and then, on June 28, 1928, under the dictatorial leadership of the late Raymond Poincaré, the monetary law now in force was enacted.

It declared that the bank must keep a stock of bullion and gold coin equal in minimum to 35 per cent of the sight liabilities. A new parity of 65.5 milligrams gold of nine-tenths fineness per franc was established. The notes are convertible into gold, but only, at present, in bars each worth about 215,000 francs ($14,260 at par). It is these which the bank unquestioningly hands over the counter in times like the political crisis of early June, when as much as 1,500,000,000 francs in gold was lost in one day.

The French have never caught the American habit of using checks. Nearly all business is transacted in cash. When the bank was created, the smallest denomination of bills it could print was 500 francs. Since then, the limit was successively reduced to 200 (1847), 100 (1848), 50 (1857), 10 and 5 francs (1871). In 1933 the 5 and 10 franc bills were supplanted by coins.

The amount of currency in circulation has naturally varied in times of normalcy and crisis, but since the World War there has been an almost steady increase. The average for 1913 was 5,665,000,000 francs. By 1918 it had become 27,536,000,000 francs; while a recent statement (Aug. 16, 1935) showed no less than 81,064,005,535 francs in circulation, backed by the huge sum of 71,661,243,020 francs (more than $4,750,000,000) in gold. There was a coverage for sight liabilities in that week of 75.68 per cent.

Among the bank's most important functions are those arising from its relations with the State, that is, with the Treasury. It has a monopoly for the deposit of State funds, on which it pays no interest. It acts as cashier for the Treasury and performs many

other services without compensation in return for its valuable franchise. Above all, in times of stress, it lends the government money—without interest. There is one permanent loan of 3,200,000,000 francs, which will be repaid only on expiration of the bank's charter (which has been extended many times) on Dec. 31, 1945.

The bank went to the aid of the State notably in the Revolution of 1848, the Franco-German War (1870-1871) and the World War. During the last period it lent the Treasury 26,000,000,000 francs cash, without counting 3,500,000,000 francs in Treasury bills, and went on lending steadily without reimbursement until the end of 1925. In 1925 alone—the inflationary year—the Treasury borrowed 17,500,000,000 francs. The greater part of this debt was wiped out by the Treasury's turning over to the bank the so-called profit from the revaluation of the gold stocks of the bank when the franc was stabilized at about one-fifth of its previous value.

As a private concern, the Bank of France pays its shareholders dividends (which cannot exceed 6 per cent) on the profits of its commercial operations. These amounted in 1934 to 138,825,112 francs, permitting a dividend of slightly more than 200 francs per share.

The importance of the Bank of France, simply as a bank, has been summed up as follows by Harvey E. Fisk of the Bankers Trust in a book he wrote on French finances in 1922: "An independent private institution, possessing its own capital, governed by a Council of Regents, under the experienced and able leadership of a governor and subgovernors appointed by the State, the Bank of France has been managed with liberal foresight and discretion, thus assuring the soundness of its credit and its ability successfully to fulfill its functions as the centre and foundation of public and private finance in time of peace and through the ordeal of war. Its strength and endurance in days of stress, its patriotic assistance to the national Treasury and the beneficial influence it exercises in the different branches of industry, have won for it the well-deserved gratitude of the people of France and the admiration of financiers the world over."

So much for the past and present. Now, what of the future? The Third Republic is approaching what appears to be a grave political crisis. Four years of economic depression and its consequent hardships have frayed the public temper. The Laval government's deflationary program, with its unpopular pay cuts, has aroused much opposition. In the eyes of France's radicals and liberals (the "Popular Front" of Radical Socialists, Socialists and Communists), Laval is a tool of the Bank of France. The terms on which he took office were virtually dictated by the Council of Regents.

Is there a day of reckoning coming or will the nation at large come to feel that what is good for the great moneyed interests is also good for the public? Will the next government (or will it be the next régime?) honor this tower of financial strength or will it tear it down, as another Bastile? There must always be a Bank of France so long as there is a France, but the present structure, which has existed virtually unchanged for 135 years—is that doomed to disappear? Not only France but the whole world will anxiously await the answers to these questions.

The British Way to Recovery

By ALZADA COMSTOCK*

GREAT BRITAIN'S recovery since 1932 has put new heart into a nation that has passed through many discouraging years since the end of the war. The advance toward better times has been continued with scarcely a halt from the latter part of 1932 to the present time, until, in July of this year, the registered unemployed numbered less than 2,000,000 for the first time in five years. Almost at the same time the index of general business activity reached the 1929 level. For the last two years the budget has shown a surplus, and the Chancellor of the Exchequer can boast that he has completed most of the tax remissions and restorations of tax cuts that were promised when Great Britain began to tighten its belt.

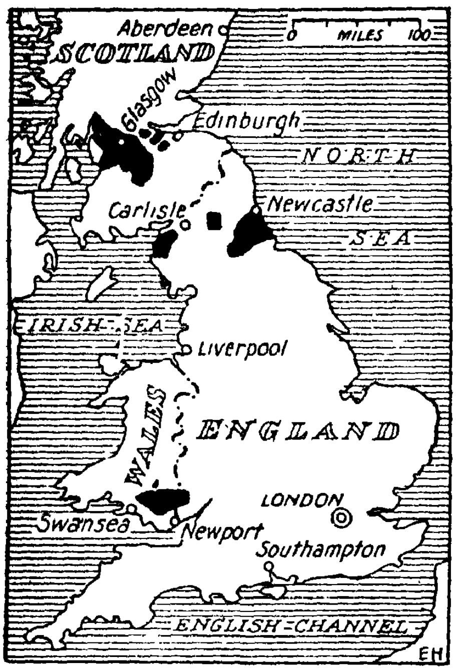
To a world hopelessly confused about the most workable methods of getting out of the depression, the story of British recovery brings confusion worse confounded. If Great Britain is actually far closer to old-time prosperity than the United States, why do so many accounts of depressed areas and dying export industries come from that country? Since governmental control and direction has been applied to stimulate recovery, why do we not hear of endless political discussions and sudden upheavals in policy? How could the country of Adam Smith, John Stuart Mill and rugged individualism adjust itself to even the most modest type of State control?

It is an open yet pertinent question whether Great Britain's rate of recovery is faster than that of the United States. The verdict depends upon what dates and figures are chosen. Actually Great Britain's increase in industrial production from the beginning of 1932 to the present has been slower than America's. But if one starts from 1929, when the United States had reached a boom peak much higher than Britain's (and one from which it had further to fall) the American failure to climb back to that peak stands out plainly, while in some ways Great Britain has regained her more modest level of that year.

Great Britain's recovery is largely in the newer manufacturing industries, agriculture and domestic trade. As yet it scarcely extends to the old established exporting industries. Consequently Great Britain always has with her the problem of the "depressed areas" and the "hard core of unemployment" in the stricken northern counties which are the homes of such industries as coal. Priestley's picture of these regions in *English Journey* brought home the problem to most readers in a way statistics never could. Writing of the old shipbuilding town of Stockton-on-Tees, where the grass is growing in the shipyards, Priestley says:

"Such new industries as we have had went south. Stockton and the rest, miles from London and with soaring rates [local taxes], were useless as centres for new enterprises. They were left to rot. And that per-

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Britain's "Depressed Areas" (in black)

haps would not have mattered very much, for the bricks and mortar of these towns are not sacred, if it were not for one fact. These places left to rot have people living in them. Some of these people are rotting too."

And again, speaking of the combination and efficiency programs urged upon industry by the government for the sake of recovery, Priestley writes:

"Their labor, wages, full nutrition, self-respect, have been declared redundant. All their prospects on this earth have been carefully rationalized away. They have been left in the lurch. We have done the dirty on them. We can plan quite neatly to close the doors of their workshops on them, but cannot plan to open anything. We can cry *Shut Sesame* but not *Open Sesame.*"

That is British recovery, real and sound and encouraging for those who have survived and who are protected, but with the workless areas forever looming over the northern horizon, a kind of nightmare picture to trouble the sleep of the King's Ministers. Now at last there is a special commissioner for the depressed areas—a hard-working official who has so far been able to accomplish almost nothing, but whose courage and energy are still good.

The happier side of the picture is the improvement in agriculture, in the industries manufacturing for home consumption and in retail trade. The hand of the central government is everywhere—limiting imports for the protection of particular groups of home producers, particularly the farmers; promoting exports; supervising the control of agriculture; forcing or, better, persuading (with suitable rewards) old-fashioned industries to scrap their out-moded factories and to maintain fixed prices and wages; subsidizing house-building and slum clearance on a vast scale.

The people of Great Britain, true to their democratic tradition, argue without ceasing as to whether all this new State intervention is good policy or bad. At the same time the issues as between political parties are less violent than in the United States. Nineteenth-century Liberalism dies hard in a country that made vast fortunes under the flag of free trade and the slogan "Let the devil take the hindmost." But almost no one denies the stimulating effect of the whole policy upon domestic activity, at least for the time being. The answer to the question of its long-run value depends upon the political convictions of the speaker. Many people think that the country has been saved from ruin, and in just the nick of time, by the new policies. "Socialism unashamed" is a popular return taunt from the rugged individualists.

Almost nobody, in the heat of argument, bothers to be consistent. For example, the Federation of British Industries, in a report issued late in July, concluded that "our commercial policy, taken as a whole, has secured a remarkable degree of recovery for this country, as compared with that of other countries during the same period." At the same moment the F. B. I. opposed the use of coercive measures to bring minority firms into any of the new schemes of industrial organization on national lines. The *Economist,* that old-line individualist weekly whose editorial staff appears to have been permanently embittered by the growth of government control, fears that (March 2, 1935) "there is little hope that the present medley of controls and restrictions will do anything but hamper recovery" and yet thinks that if there were "method and not mere improvization in the government's plans, the widespread lack of confidence would be quickly dissipated."

The methods and degrees of control used in the United States and Great Britain are not easy to compare. In general it may be said that in foreign commerce Great Britain has exercised a greater amount of control and guidance than has the United States. In limiting and subsidizing agricultural crops there have been marked similarities. In industry Great Britain, nominally at least, is trying to bring about for a few major industries "voluntary" enforcement of what in the United States would be called codes for wages, prices and production. British subsidy policy, if it can be called a policy, is so unlike the government aid granted in the United States that comparison is impossible. The housing grants, for example, have had the effect of a public works program, though Great Britain has neither a great public works program nor the budget deficit that accompanies it.

But let the British Government speak for itself. The British "Corporative State," said Walter Elliott, Minister of Agriculture, in a press interview in the Summer of 1934, involves a "planned organization within the economic and social groups themselves. * * * This new economic order has already developed further in England than is generally realized. I think we have even attained more in this direction than the United States with all their codes."

The protective tariff is used unashamedly by Great Britain today for the benefit of special groups of producers. It is a tribute to British integrity that there is little talk of special influence and none at all of bribery. It seems to be understood that the government does the best it can to promote British production, keeping agricultural needs at the forefront, and that it is more profitable to debate the merits of the question than the morals of Ministers and members of Parliament.

Although the National government will probably be credited (or debited) with making Great Britain a protectionist country, the drift toward protection began long before that government entered office. Free trade was threatened by the "fair trade" controversy of the Eighteen Eighties, by Joseph Chamberlain's campaign for imperial preference at the turn of the century, by the wartime duties and by the growth of tariff laws in the Nineteen Twenties. At last the National government of 1931, explicitly admitting its protectionist goal, carried the movement to its logical conclusion. "Abnormal importations" acts filled the gaps until permanent tariffs were devised. Agriculture fol-

lowed industry into the protected stockade, and the old slogan of "No Food Taxes" was heard no more.

A novelty to Americans, who thought they knew all there was to be known about protection, was Great Britain's development of a device to control the actual volume of commerce, namely, the trade agreement supplemented by import quotas. By this means exports can be assured to a home industry and imports controlled in favor of another home industry to an extent that few tariffs achieve. Great Britain has used this method particularly to guarantee coal exports and to keep agricultural products out of the country except in specified amounts when they are needed. For example, the trade agreement signed by Great Britain and Latvia in July, 1934, specified how much British coal and how many tons of British herrings Latvia was to take in the following year, and in return promised Latvia entry into Great Britain for her meat and dairy products except as limitation might be necessary because of regulation schemes for British meat and milk producers.

In the agricultural commodities that Great Britain has decided to shelter under "marketing schemes"—the equivalent of the American AAA—imports from abroad are tightly controlled. Imports of hops must not exceed 15 per cent of the total market demand. Imports of potatoes are prohibited except under licence, so that they have been cut to 3 per cent of home consumption. Bacon imports from abroad have been curtailed, and as much has been done for milk as is possible when so much comes from within the British Empire. Meat imports will be limited correspondingly as soon as Great Britain can reach agreement with the Dominions and with Argentina. The British Government has thus made good its promises to the farmer and has undoubtedly aided him in reaching his new-found prosperity.

To the older generation, familiar with the British slogan of "No Food Taxes" and the doctrine that only through cheap food for the workingman could there be low wages, low costs and a competitive advantage in world markets for British manufactures, it is almost incredible that today about one-third of British agricultural produce is under price-raising marketing schemes, implemented in nearly every case by highly effective protection against foreign trade. The first to be thus dealt with was wheat—it is strange to remember that it was for free wheat that the battle of the Corn Laws was fought and won in the Hungry Forties. Instead of a marketing scheme, wheat was given a subsidy or "quota" in 1932. A levy was imposed on every sack of flour imported into Great Britain or milled within the country. The proceeds went to the British wheat-grower to make up the difference between the price he actually received and the standard price of about $1.40 a bushel.

The results have been most satisfactory to the wheat-growers. Wheat farming has become so profitable that other grains have been abandoned for its sake, and a few ambitious colonials have returned to England to raise wheat with the improved agricultural machinery they learned to use abroad. The *Economist*, always unsympathetic with such methods of support, speaks (May 18, 1935) of the "colossal dole" of $35,000,000 paid by consumers for the benefit of the wheat farmers in the cereal year 1933-34. Although it regards the Wheat Act as less vicious than some

of the other schemes, it deprecates the high price of bread and concludes that "the man in the street can only wonder and pay."

For other agricultural products—hops, milk, pigs and bacon, potatoes, and eggs and poultry—the plan has been to have either the producers themselves or commissions appointed by the government draw up marketing schemes. If approved by a substantial majority the plan is then made compulsory for all the producers in the industry. A marketing board is then established to regulate prices and amounts for sale and determine conditions of marketing. In the case of hops a monopoly has been given to present producers by prohibiting newcomers in the field. The government then plays its part by controlling imports of the commodity wherever possible.

Perhaps never since the days of the repeal of the Corn Laws has national agricultural policy been so hotly debated as at the present time. Thus, the London *Times* of July 22, 1935, printed on its editorial page a long article by W. Gavin, entitled "The Marketing Boards," in which the writer claimed great results for the new policy:

"Three years ago free trade under modern conditions had brought the British countryside to the verge of ruin. The deliberate sacrifice of the British farmer and farm worker in the cause of cheap food had not saved the manufacturing, export and shipping interests from acute depression—on the contrary, it had aggravated it by injuring the home demand. Since then recovery has set in not only in agriculture but in industry, and no one can assert that food has been dear."

During a debate on agricultural policy in the House of Commons on July 31 a Labor member argued against any policy which had reduced the number of agricultural laborers by 56,000 since 1931 and failed to raise farm wages above the level of that year. The London *Times*, commenting editorially next day, endorsed the government program and permitted itself the gibe that "Liberal critics * * * cling overmuch to the foolish idea that agriculture can be preserved without protection in many forms." On Aug. 19 the results of a vote on the abandonment of the milk marketing scheme showed that more than four-fifths of the producers were in favor of keeping it.

The acquiescence of the greater part of the people in a program that involves taxation and increased costs of living for 93 per cent of the population in behalf of the 7 per cent who derive their income from agriculture indicates that rugged individualism as an ideal is fast vanishing from the British mind. Members of the Labor party, to be sure, have raised many objections to specific schemes, speaking on behalf of urban consumers, but that party is in principle anti-individualist with respect to industry, and its members are well aware that they must take care not to have too many inconsistencies pinned on them.

The government's program for industry has less unity than the agricultural plan, but a general tendency is already evident: the major industries must be induced to keep prices stable, keep wages up, control marketing effectively and get rid of less efficient units for the sake of the industries and of the whole country. "Self-regulation by the industry" is the government's demand. In return for organization and the attainment of reasonable efficiency, the government is prepared to help in regaining foreign markets, to control imports,

and in certain cases to give assistance at home. Neither party to these arrangements is deeply interested in the small or minority producer, the "forgotten man" of British industry, except to get rid of him if he is inefficient. He has no guarantee of equal rights. His only course is to fall under the wheels of the efficiency or "rationalization" movement.

This policy is not yet fully developed, but the iron and steel, the cotton and the coal industries have already felt its effects. Iron and steel have been given tariff protection under conditions that illustrate the great distance Great Britain has traveled from pure individualism. This industry itself abandoned its free trade ideals with alacrity as its share of world commerce diminished. It became more and more insistent upon import duties until finally, in 1932, it was granted a protective tariff with the official admonition to set its house in order if protection was to continue. The industry thereupon set up a control scheme, and by 1934 it had progressed far enough to establish a council of twenty-nine to govern itself, promote efficiency and expand production. The government, though dissatisfied with the slowness of the progress, extended the iron and steel tariff indefinitely and put the industry on its honor to carry out its plan for internal control.

For years the Lancashire cotton industry, whose plight is known to the whole world, has been crying aloud for help. The government through the Bank of England, which is only by a technicality described as a private institution, went to the aid of the industry by giving financial support to the Lancashire Cotton Corporation. This organization has had a certain degree of success, although not so much as it hoped for, in dismantling inefficient mills and concentrating production in the more efficient units. Within the two years 1933-34 it scrapped 4,000,000 spindles. In 1935 the government played a more active part by introducing into Parliament a bill providing for the purchase and scrapping of 10,000,000 spindles. The cost is to be met by a levy on all working spindles. In July, 1935, the hand of the government was felt again. The industry received an order from the Minister of Labor giving legal status to the wages agreed upon by employers and workers and making it a penal offense to offer employment at terms less advantageous than these.

The British coal mining industry is already so well regulated by law that in recent years complete nationalization, long demanded by the Labor party, has seemed to be just around the corner. The Coal Mines Act of 1930, under which prices and marketing are regulated, of course antedates the work of the present government, but the government is constantly prodding this industry to effect better price control. Meanwhile it has achieved much for the industry by forcing coal purchases upon other countries in connection with new foreign trade agreements.

The present government seems to be ready to make increased use of subsidies, particularly to agriculture. It has renewed, although on a diminishing scale, the subsidy paid to the sugar beet growers since 1925 (at a cost to the government of $200,000,000). Cattle growers receive a considerable subsidy; the bacon marketing board has a government credit, and the milk producers have large government advances. The herring fisheries have been given a small amount, and merchant shipping has been granted $10,000,000. The wheat

"subsidy" is really not a subsidy but a kind of processing tax.

The most effective subsidy, and possibly the greatest influence in the government's whole recovery program, is the aid that has made possible the immense housing program now being carried out in Great Britain. Since the armistice there have been built in Great Britain about 2,700,000 houses, almost one-half of which have been subsidized by the government or by the localities. Under the present government the program has been speeded up. During the four years ended on March 31, 1935, about 1,000,000 houses were built in England and Wales. Not content with the work already going on, the government has started a new slum clearance project. In its last session Parliament passed a housing bill under which within five years all officially condemned slums will be demolished and sufficient houses provided to do away with overcrowding. At the most this program is expected to cost the public treasuries only $50,000,000 a year—not a staggering sum, the proponents of house construction as a recovery measure like to point out, in comparison with the money spent upon battleships, heavy guns and bombing planes.

Even the government's bitterest critics have a good word to say for the housing program. It has aided the capital goods industries and generally stimulated employment, and apparently at the same time encouraged private industry, for in the last few months private house building has increased at an even faster rate than the construction aided by the government and the localities. The worst criticism is that it cannot last forever, and the slump may be bad. To this the government replies that it can see good results for at least five years ahead, after which, come what may, the British masses will be decently housed.

British governmental policy toward economic enterprise has so thoroughly altered that a return to nineteenth century individualism seems more and more remote. One prophet went over to the side of the angels before most observers were aware of the course of history. In 1926 J. Maynard Keynes published a little book called *The End of Laissez-Faire*. In it, with his uncanny faculty of prophecy, he hinted at much that has since come to pass. "I suggest," he said, "that progress lies in the growth and recognition of semi-autonomous bodies within the State, * * * bodies which in the ordinary course of affairs are mainly autonomous within their prescribed limitations, but are subject in the last resort to the sovereignty of the democracy as expressed through Parliament."

De Valera's Ireland

By RALPH THOMPSON

SCRATCH an Irishman and you find a politician. The saying is old enough to be utterly false, and true enough to be completely up to date. Probably nowhere else in the modern world does politics play as large a part in everyday life as in the Irish Free State. Nearly every Irishman talks and a surprising number are mixed up in politics.

For this there is a very good reason. For over 700 years, the man in the street in Dublin or Limerick will explain, the Irish nation has struggled against what is called British imperialism. Occasionally guns and brickbats have been the weapons; more often the battle has been waged with such subtler instruments as words, policies and ballots. Great Britain makes a concession here and is promptly dunned for a concession there. This grudgingly granted, still more is asked. It is all endlessly irritating to the British. But for the Irish it is excellent experience.

To cite the important example. Shortly after the World War what had been John Bull's Other Island was split into two parts. Six counties in the Province of Ulster were parceled off to remain united with Great Britain; the remaining twenty-six counties were given virtual independence as the Irish Free State. This represented, so far as Great Britain was concerned, an enormous concession to Irish nationalism. But Irish nationalism was by no means satisfied. During the first ten years of self-government under the Presidency of William T. Cosgrave Free State politicians labored steadily to reunite Ireland and to remove all vestiges of the British connection. And in 1932, because the process was not being carried on at a lively enough rate, the electorate defeated Mr. Cosgrave at the polls and placed in power Eamon de Valera and his Fianna Fail party.

Mr. de Valera, semi-clerical in garb, tall, dark and dour in aspect, a consummate politician if there ever was one, is in office today. He stays there even though he has succeeded in less than four years in reducing Anglo-Irish relations to the status of a diplomatic sulk, in turning topsy-turvy the internal economy of the Free State and in making bitter enemies of not only those whom he succeeded in power but many of those who put him there. He is clever enough to be accused at one and the same time of being a revolutionary and a semi-Fascist, a monomaniacal Anglophobe and a bourgeois traitor to the principles of Irish republicanism.

He prosecutes a trade war with Britain which for the time being delights his radical constituency and infuriates exporters and those who supply the exports. He nurtures and encourages infant Irish industries, which at the present moment delights the new-born industrialists and infuriates his radical constituency. Amid nods of approval from Mr. Cosgrave's Opposition group, the United Ireland party, he metes out stern pun-

'ishment to refractory leaders of the Irish Republican Army (the I. R. A.), and the next day issues an anti-British statement that excites the United Ireland party almost as much as it does the British. An uncompromising realist in some respects, he is able also to pursue such a fantastic and impossible scheme as that of reestablishing Gaelic as the language of the country. From month to month this process of playing both ends against the middle continues. The immediate result is that no considerable rival for Mr. de Valera's post of President of the Executive Council has as yet appeared. "Dev for at least five years more" is a common saying.



The Two Irelands—"A few score miles from one of the greatest industrial nations in the world"

Yet immediate results are less important than ultimate results, and ominous echoes have been raised because of Mr. de Valera's deeds of commission and omission. They may be heard not merely in the office overlooking a pleasant garden near *Merrion Square, Dublin,* where sits Mr. Cosgrave pondering upon the ways of his successor; not merely in the headquarters of the I. R. A., where those leaders who are not "on the run" gather to discuss the actions of the man who hardly more than a decade ago was himself a hunted revolutionary. They may be heard on nearly every street corner and in nearly every village square throughout the length and breadth of the Free State. The fact is, in simplest terms, that Mr. de Valera's economic war with Britain is strangling Free State trade and raising the cost of living. The equally simple consequence is that so long as the war continues there is little hope of a permanent understanding with Britain or little prospect of *bringing back into the Free State fold* the alienated six Ulster counties. And with these ends unattained, even the political genius of a de Valera may prove insufficient, for common-sense principles of geography and economics cannot be forever flouted.

Because no Irishman ever wished his country to knuckle down to London, Mr. de Valera found few to deny him when he dramatically campaigned

on the principle that so long as the Free State was economically dependent it could not be politically free. No matter that under the Cosgrave régime first steps had been taken in the direction of achieving a rational balance between Free State agriculture and Free State industry; no matter that first efforts had already been made to change the conditions under which Ireland had made a living by selling dairy products and other foodstuffs to Britain and had been dependent on Britain for essential raw materials and manufactured goods. Mr. de Valera won a mandate from the people to speed up the process of change, and speed it up he did.

Fianna Fail had not been long in office when London learned that the Irish land annuities would no longer be paid. For years the instalments from Irish farmers who had acquired property under the Land Purchase Acts passed by Parliament between 1897 and 1909 had gone into the British Exchequer, which had financed the purchases. Although the Government of Ireland Act 1920 had provided that the annuities should be retained by Dublin, Mr. Cosgrave in 1923 had signed an agreement by which they were once more turned over to Britain. This agreement Fianna Fail refused to recognize when it assumed power, and the sums collected were placed in a suspense account pending negotiation.

Mr. de Valera argued that the Cosgrave agreement had never been ratified by the Free State Parliament and that in any case the land on which the payments were due had been stolen from the Irish people in the sixteenth and seventeenth centuries. Though the sum involved, together with certain other moneys withheld, came to only about $25,000,000 a year, he refused to give it up, and asked that the matter be brought before an impartial tribunal. Britain acceded, but to this day no tribunal has been chosen because neither Dublin nor London can accept the other's definition of the word "impartial." The former insists on an international board of judges, the latter upon one composed solely of citizens of the British Commonwealth.

It is hard to believe that a trade war could evolve out of such an impasse, and it is indeed true that the financial dispute is only a part of the larger one involving political and constitutional issues. Nevertheless, Britain promptly clapped one emergency duty after another on Irish livestock and agricultural produce in order to collect the money she felt was owing, and the Free State in turn imposed special tariffs on British commodities. Only one breach in the tariff wall has been made; early in 1935 a pact was arranged under which Britain accepted so many pounds' worth of Irish cattle in exchange for Ireland's purchase of so many pounds' worth of British coal. Even in this arrangement, however, the penal tariffs remained.

What has this economic war done to Ireland's commerce? Since Mr. de Valera has been in office the value of the total Free State foreign trade has fallen to 60 per cent of what it was in the fiscal year 1930-1931. No substitute market even faintly comparable to the British has been found for Free State produce, and the excess of imports over exports has risen steadily until it is now nearly twice that of four years ago.

In order to placate the farmers who found their chief market suddenly curtailed, the Fianna Fail government has handed out export bounties and remitted certain taxes. But these concessions have not mollified many of the farmers, particular-

ly the wealthier among them. Moreover, the effect has been to raise the cost of living in the Free State in general. Irish butter, for instance, costs more in a Dublin store than it does in Liverpool or Birmingham; Irish bacon is more expensive in Dundalk than it is in Newry, ten miles away across the Northern Ireland boundary. Many farmers have refused to pay their land annuities to the government so long as the government, by not handing them over to Britain, has caused the British to erect a tariff wall, and Mr. de Valera has made bitter enemies among those whose properties have been seized for non-payment. He has his hands full, too, on the Ulster boundary, where for obvious reasons a lively two-way smuggling trade is carried on.

The brighter side of the picture clearly shows that the Free State is now better able than before to feed itself, that it no longer indulges in a series of paradoxical practices, such as buying almost as much bacon and ham for home consumption as it exports. Before Fianna Fail came into office Free State flour mills produced only half the national requirements; at present no flour need be imported. About 80 per cent of the domestic sugar supply is now home-grown and home-manufactured. Instead of raising about six times as many beef cattle as the country can consume, Free State farmers have learned to pursue a more reasonable balance between tillage and grazing.

Industry has developed greatly, amid the beating of nationalistic drums. More than 50 per cent of the country's boots and shoes are now of local manufacture. Stoves, raincoats, concrete bricks, tile piping, shoelaces, razor blades, automobile tires, confectionery, cigarettes—today all these are made, in varying quantities, within the Free State. Automobiles—French, German, British and American—are now locally assembled. Capital investment for the erection of factories is, indeed, an official explanation for the enormous excess of imports over exports. By encouraging industry, Mr. de Valera points out, he can not only make the Free State less dependent upon Britain, but also provide employment for thousands.

Yet dare even the most fervent advocate of economic nationalism argue with a straight face that an attempt to make the Free State self-supporting will ever be wholly successful? In area the Free State is only 27,000 square miles—smaller than the State of Maine; its population is a mere 3,000,000; it lies but a few score miles from one of the greatest industrial nations of the world; it is poor in natural resources. The further industrialization is pushed, moreover, the less likely will be the achievement of that central purpose of all Free State political parties—the reunion of the two Irelands. The North is a manufacturing centre, and vested interests there will not lightly agree, no matter how intense their Irish nationalism may become, to share their markets with Free State rivals. Nor will the latter, now finding their strength, welcome Northern competition.

It is not only the economic war and the consequent revolution in Ireland's economic life that render Mr. de Valera's position precarious. His opponents ask, and not without reason, exactly where the Free State stands in relation to Great Britain. Does Mr. de Valera intend to declare a republic? Does he intend to accept some sort of quasi-Dominion status? Or does he propose to muddle along as at present, with his country not quite without but not quite within the British Common-

wealth of Nations? And how does he intend to allay the social unrest let loose by the world depression and by his own actions?

Mr. de Valera is characteristically astute in not giving an outright answer to any of these questions. He twists the British lion's tail just enough to induce a few roars and shows just enough disrespect for King George and the royal prerogatives to make loyal Britons turn purple with rage. Since coming into office he has reduced the representation of the Crown in Ireland, the Governor Generalship, to the status of a national joke; he has abolished the oath of allegiance to the Crown; he has ended the right of appeal to the Privy Council from decisions of the Free State Supreme Court; he has voided the royal veto on Irish legislation and the right of the Crown to initiate financial measures. Most of these steps have been taken without a by-your-leave; the Irish Parliament passed the laws, and Britain could either like them or lump them.

None the less Mr. de Valera has been careful not to go too far. The Free State still supports a Governor General, no matter how mild-mannered and self-effacing an Irishman he may be, and under the new Irish Constitution which Mr. de Valera is said to be framing the title of Governor General will, it is reported, not disappear. The new Constitution is apparently to receive at least tacit British approval before it becomes the law of the land; there is as yet no reason to suppose that the British Navy will cease to control Irish waters; no hint has been made to indicate that British troops will be withdrawn from Northern Ireland, where, from the Nationalist point of view, they are garrisoned simply to make the Free State behave. Mr. de Valera's recent promise that Ireland will never become a seat of operations against Britain convinces many that he has sold out to the forces of "imperialism," or at least so compromised himself that his position is no longer fundamentally different from that of Mr. Cosgrave.

In what direction the balance of Free State power will next shift is very difficult to say. With Fianna Fail leaning first to the Left and then to the Right, it may be that the de Valera government is indeed good for the "five years more" so commonly prophesied. Yet antipathetic elements, both moderate and extremist, have considerable support within the Irish electorate, and it is not beyond the range of possibility that one may eventually fight its way into control.

Mr. Cosgrave and his United Ireland party are, of course, the logical alternative. Earnest and capable, fine of feature, gentle in manner, Mr. Cosgrave is able to win many to his point of view: that the Free State now enjoys practically all the privileges and suffers few of the embarrassments of a completely independent republic. He would end the economic war with Britain, accept a Dominion status and work peacefully toward those ends of Irish nationalism as yet unattained. He finds an especially loyal following among the well-to-do farmers who are struggling against the government. Strengthening his appeal is a remnant of the blue-shirted League of Youth, under the leadership of Commandant Edward Cronin. This organization was at one time definitely Fascist, but now, though still semi-military in character, it has been toned down and serves merely to attract young people to Mr. Cosgrave's banner.

Fascist principles, lock, stock and barrel, have been taken up by the

former head of the League of Youth, General Eoin O'Duffy, who about a year ago broke with Mr. Cosgrave and organized what he calls the National Corporate party. Politically still an unknown quantity, the party professes a profound admiration for Mussolini, talks of a corporate Ireland based on the Italian model, and has laid elaborate if somewhat nebulous plans for a benevolent dictatorship with O'Duffy at the head. No Irishman outside the National Corporate ranks takes the party very seriously. The threat to Mr. de Valera from this quarter is not great.

Potentially more dangerous are the I. R. A. and kindred groupings. The Left includes also, to be sure, the Labor, Socialist and Communist parties, but none of these is large enough or strong enough to do much by itself. Labor tends to support Fianna Fail in critical junctures, though at odds with its social policies; communism and socialism, undiluted and unashamed, simply cannot acclimate themselves to Irish conditions. The I. R. A., however, is not a political body but a time-honored, semi-military institution. Numbering about 30,000 active members, it is well-organized, secretly drilled and armed with Lee-Enfield rifles, Colt revolvers and Thompson sub-machine guns.

When the British still ruled the land, and later, when the Cosgrave government first tried to work the Constitution of 1922, Mr. de Valera and the I. R. A. stood shoulder to shoulder. But now Mr. de Valera and the government are one and the same thing; he finds he cannot tolerate a private army, and as recently as June, 1935, declared himself hostile to all "subversive armed movements," whether Republican or Fascist. Scores of Republicans have been arrested for disturbing the peace in one way or another and jailed because they generally refuse to recognize the authority of the court which tries them; others have been forced to go into hiding in the hills; a strict press censorship has caused the suspension of the I. R. A. weekly, *An Phoblacht*. In Republican minds Mr. de Valera's acts make Ramsay MacDonald's desertion of British Labor seem like sheer loyalty.

Mr. de Valera's answer is that the I. R. A. has degenerated into an organization of troublemakers, that the scholars, merchants and professional men who at one time gave it character long ago decided to work for Irish freedom through constitutional and legal channels, and that foreign influences, largely Russian, have perverted a nationalistic movement into an instrument of the class war. While this is not altogether true (there are still able and respectable members) there can be no question that Irish republicanism has taken on a class tinge. In the I. R. A.'s "Constitution and Governmental Programme for the Republic of Ireland" there is reference to the need for "directing the thoughts of the people along constructive revolutionary lines," and the Republican Congress, a political offshoot of the I. R. A., has declared itself not merely for a republic but for a "Workers and Working Farmers Republic," for "a Marxian leadership for the Irish people."

Ireland is fertile soil for radical doctrine. There are thousands of unemployed living on a dole consisting (for a single man) of less than $2 per week plus two pounds of free beef; the sapping of the national wealth by generations of British landlords, while now practically ended, has left bitter and ineradicable memories. Emigration is at a standstill, and the population is rising for the first time since 1850. Domestic

prosperity will remain extremely elusive so long as Mr. de Valera persists in his economic policies; prices will rise, real wages will fall; and a bottle of Dublin whisky will continue to be more expensive in Dublin than it is in New York. Even communism, if properly diluted with nationalism and otherwise adapted, might not be an impossibility.

Actually communism is an impossibility, for the Free State is Roman Catholic to the core. Although there are today a few politicians who try to reconcile Catholicism and Marxism, a few who go from offices decorated with hammer-and-sickle banners to attend mass, the movement cannot succeed. The one abiding reality in Irish life is the Catholic Church; even if individual priests and Bishops are defied and disobeyed, the church as a whole remains fast in the hearts of the Irish people. Perhaps it is for this reason that Mr. de Valera has not prevented Communists from holding meetings and publishing their weekly periodical, the *Irish Workers' Voice*, at the same time that he has hounded the I. R. A. and kindred organizations. There is no need to use a field gun against a mosquito.

Mr. de Valera has reason, moreover, to go no further than absolutely necessary. He is sensitive to criticism, and winces when accused of suppressing freedom of speech, of sterilizing the press, of subjecting the nation to a veritable dictatorship. He has already gone pretty far. There is still in force the harsh Public Safety Act, under which the word "sedition" can be interpreted to mean the activities of almost any one the government dislikes or fears; bookstores are forbidden to sell certain volumes —not only those questionable from a moral standpoint but also those with a not-quite-proper social outlook; business and trade are to a great extent no longer free to act as they wish; government permits and licenses handicap a multitude of occupations.

Yet the fact remains that Mr. de Valera's Ireland is still superficially a calm and lovely place. Agriculture has not been so bound round with regulation that in Summer the rolling hills are no longer checkered with fields planted to wheat, barley or potatoes; stock-raising has not been so hampered that fine cattle and horses are not seen everywhere or that squealing pigs are no longer herded through seaport streets on their way to cross-channel ships and British breakfast tables. The tiny thatched cottages in the countryside are still spotless white, warmed by a fire of turf won from a near-by bog. The urban slum dwellings are still filled with pink-cheeked and cheerful children; the corner public houses with soft-spoken workmen, placid as only Irishmen can be despite poverty, unemployment and hardship.

Appearances, however, may be deceiving, and in hard times, especially, Ireland's zest for politics will not be denied. The arch-politician Eamon de Valera knows that. He does not need to be told that he will have to step lively if he wants to keep his job.

Current History in Cartoons



Aftermath

—*Washington Post*



"Here I am, Benito"
—*St. Louis Star-Times*



Going ahead
—*Courier-Journal*, Louisville



A problem for the peace enforcer
—*The Union*, Manchester



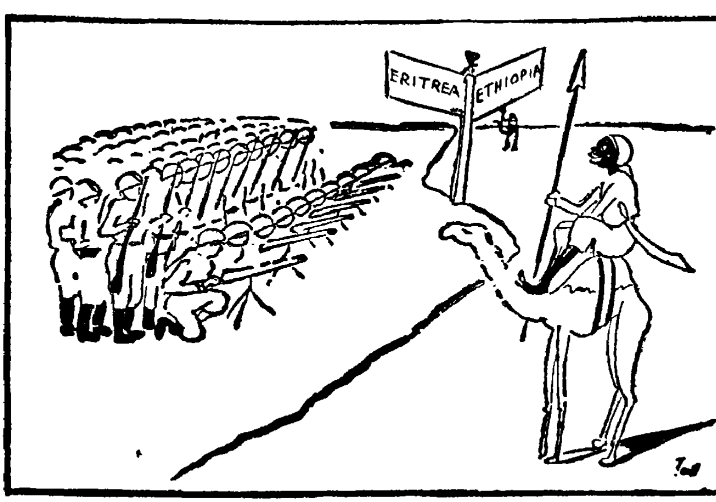
Wonder what poor Tony thinks
—*Philadelphia Inquirer*



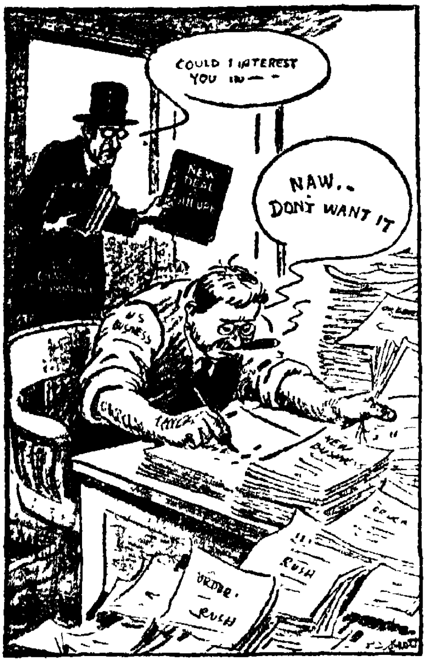
Laval: "There's a breach of promise either way" —*Daily Express*, **London**



A use for Italy's boot —*Guerin Meschino*, Milan



Italy was obviously in danger —*Oeuvre*, Paris



Book agent and busy man
—Dallas Morning News



As it looks to Roosevelt's opponents
—Daily Oklahoman



Worker: "I'm just getting over the last one"
—Courier-Journal, Louisville



Wanted: A demonstration
—Springfield Republican



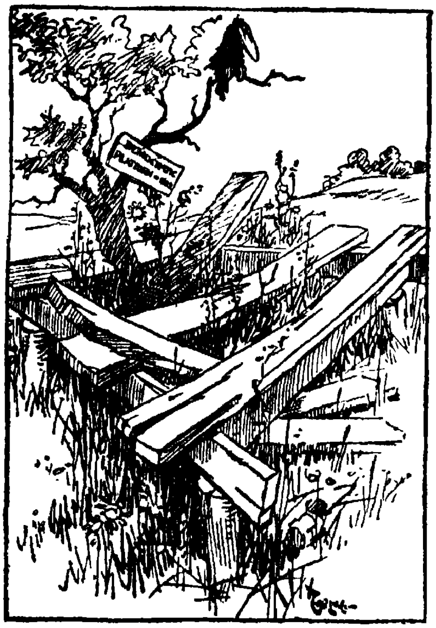
Filling in for the Court
—*The Sun,* Baltimore



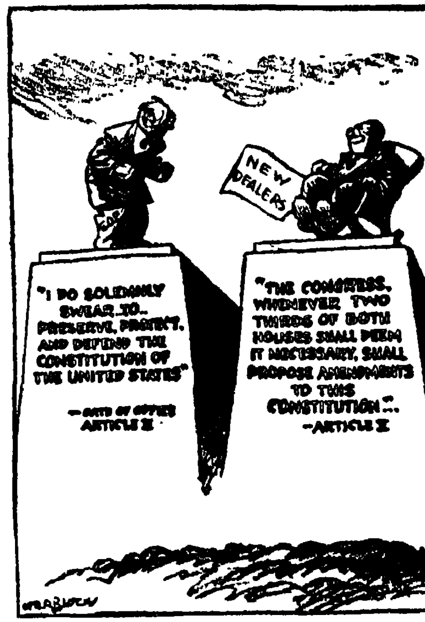
Sez you!
—*Washington Post*



"Our lawyers are working on it"
—*St. Louis Post-Dispatch*



What will they promise in 1936?
—*New Haven Evening Register*



Well, if that's going to be the issue . . .
—*Emporia Daily Gazette*



G. O. P. defending the Constitution
—*Birmingham Age-Herald*



Going which way?
—*St. Louis Star-Times*

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

Sept. 11—Sir Samuel Hoare demands League act against aggression (169).
Sept. 12—Secretary Hull invokes Kellogg pact in plea to Italy and Ethiopia.
Sept. 13—Premier Laval backs League (169).
Sept. 18—League group submits plan to solve Italo-Ethiopian dispute (170).
Sept. 21—Italy rejects League plan (172)
Sept. 29—Britain promises to resist any aggressor in Europe (172).
Oct 2—Invasion of Ethiopia reported by Ethiopians (178).
Oct. 3—Italian planes bomb Adowa (179).
Oct 4—Rearming of Britain promised by Prime Minister Baldwin.
French Cabinet approves link with Britain in League move (169).
Oct. 5—President Roosevelt embargoes arms for Italy and Ethiopia (169).
Oct 6—President warns Americans against traveling on Italian ships (169).
Oct. 6—Italians capture Adowa (180).
Oct. 7—League Council condemns Italy for violating the Covenant (168).

The United States

Sept. 17—Quezon elected first President of the Philippines (131).
Sept. 20—Coal boards appointed by the President (188).
Sept. 26—Coal strike settled.
President begins Western tour (186).

Canada

Sept. 8—Correspondence on trade treaty released at Ottawa and Washington (194)

Latin America

Sept. 13—Reciprocal trade agreements between Colombia and the United States signed (197).
Sept. 18—Colombian Congress ratifies protocol of friendship with Peru (197).
Sept. 27—President of Ecuador resigns (198).

The British Empire

Aug. 29—India-Burma Trade and Immigration Agreement published (200)
Sept. 2—Trades Union Congress convenes at Margate (199).
Indian Legislative Assembly meets (200).
Sept. 10—Kenya settlers protest government policy.
Sept. 17—New Zealand budget introduced (201).
Sept. 18—Sir Stafford Cripps resigns from Labor Party executive (199).
Sept. 23—Australian Parliament assembles (201).
Oct. 2—Labor Party Congress meets at Brighton (199).
Oct. 3—Conservative party conference assembles at Bournemouth (199).

France

Sept. 12—National Council of Railway Workers denounce decree laws (203).
Sept. 22—Croix de Feu rallies throughout France (203).

Teutonic Countries

Sept. 8—Swiss plebiscite rejects constitutional change (209).
Sept. 10—Nazi Congress opens in Nuremberg (205).
Sept. 15—Reichstag makes Swastika German national flag (205).
Sept 16—The United States withdraws tariff concessions to Germany (208).
Sept. 28—State supremacy over German Church decreed (207).

Spain and Italy

Sept. 18—Italy announces 7,000,000,000 lire war loan (175).
Sept. 20—Spanish Cabinet resigns (210).
Sept. 24—Joaquin Chapaprieta forms Spanish Cabinet (210).
Oct. 2—Fascist mobilization in Italy (175).

Eastern Europe

Sept. 8—Majority of Poles boycott Sejm election (212).
Sept. 10—Greek Premier comes out for monarchy (214).
Sept. 15—Croatian Nationalist demonstration at Zagreb.
Sept. 29—Hungarian Premier confers at Berlin with German leaders.
Oct. 2—Coup d'état foiled in Bulgaria (212).

Northern Europe

Sept. 2—Finnish Diet assembles (217).
Sept. 6—Lithuanian Cabinet re-formed (217).
Sept. 12—Guarantor powers warn Lithuania on forthcoming Memel election (216).
Sept. 29—Elections to Memel Diet (216).
Oct. 1—Lithuania abandons gold standard (217).

The Far East

Sept 1—Japan proposes new commission to handle border disputes with Russia.
Sept. 26—Japanese commander in North China threatens Chiang Kai-shek's régime (222).
Oct. 1—Canton protests Japanese warships at Swatow (223).

The Ethiopian Crisis

By ALLAN NEVINS

WITHOUT formal declaration of war, an Italian army at dawn on Oct. 3 crossed the Mareb River from Eritrea into Ethiopia and began military operations. Before the day ended the Council of the League had been called to take appropriate steps against the Italian Government.

By Oct. 7 the League had acted. On that day thirteen member nations of the Council found that "the Italian Government has resorted to war in disregard of its covenants under Article XII of the Covenant of the League of Nations." The application of sanctions against Italy was, at the time this magazine went to press, apparently inevitable.

The Italian invasion constituted the clearest challenge that the League had yet been called upon to meet; and the most heartening fact in the whole depressing crisis was that Geneva was found facing it with spirit and decision. No one has ever asserted that the League has power to prevent wars. The utmost that can be claimed for it is that it can try to prevent conflict; that it can outlaw any aggressor nation, and hamper its activities by well-planned sanctions; and that its members will sternly refuse to recognize the ill-gotten gains of aggressive warfare.

Since 1931-32 many have felt that the League would prove a frail reed in any such difficulty. It unquestionably then fell short of its full duty in dealing with Japan's creation of an "independent" Manchukuo. But the fears that it would again act limply were fortunately belied. The ringing speeches of Sir Samuel Hoare, Premier Laval and Maxim Litvinov at Geneva as the crisis developed, the mobilization of the British Navy, the instant response at Geneva to the Emperor Haile Selassie's appeal when Italian troops moved forward, all showed the true spirit of the Covenant.

After all, the Manchurian situation did not present quite an acid test of the League; the Ethiopian situation did. It must be remembered that two vital distinctions exist between these crises. The first is that in 1931-32 China had long been in a state of chronic civil war, that repeated interventions had taken place on Chinese soil (American Marines participating in some) and that restoration of order in Manchuria was really imperative, whereas Ethiopia has been quiet and generally well behaved. The second distinction is that Japanese intervention in Manchuria constituted merely a threat of war, whereas Italian interference in Ethiopia was war itself. The League could evade its full duty in the Far East and still exist. Evasion of its full duty in Ethiopia would have meant the utter and irretrievable ruin of the League. Bankrupt in credit, abandoned to scorn and derision, it would quickly have collapsed.

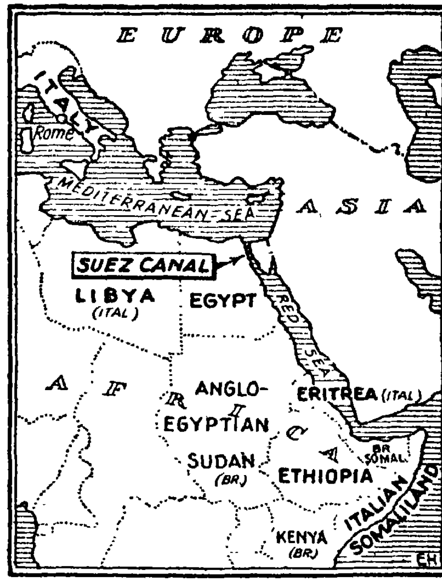
Whatever the war means, we may say with confidence that it does not mean the greatest of possible calamities, namely, the downfall of the League. Indeed, the moral prestige of that body had seldom stood higher than on the day when, the first shots still echoing, at the call of Enrique Guinazu of Argentina the leading

statesmen of Europe packed their bags to hasten to the Council meeting.

In Paris and London on Oct. 4 and 5 government officials conferred on the means of putting economic and financial sanctions into effect. Prime Minister Baldwin acknowledged on Oct. 4 "the unswerving, loyal support we are receiving at Geneva from every representative of the empire and every quarter of the globe." The French Cabinet meeting that day sent Premier Laval to Geneva with unanimous support in following the ordained League procedure. The British fleets concentrated upon Gibraltar and the Suez Canal had been assured of the use of French bases if attacked while enforcing sanctions. League members everywhere, even though, like Rumania, they sympathized with Italy, had promised the organization their loyal support.

In the Washington news of *The New York Times* on Oct. 5 was a significant paragraph: "This [the administration's] attitude represents no lack of sympathy with the League of Nations in the problem that confronts it. It is generally believed that our steps will be in harmony with those to be taken at Geneva in the direction of discouraging Italy from her venture." On Oct. 5 President Roosevelt declared an arms embargo against Italy and Ethiopia and pointed out that Americans "who voluntarily engage in transactions of any character with either of the belligerents do so at their own risk." The next day the President issued a proclamation warning citizens against traveling on ships of the belligerents—which was to say, of course, Italian ships.

It will be remembered that the League Council, following the failure of the three-power negotiations, met on Sept. 4; and two days later it set up a Conciliation Committee of Five



The Approximate Distance Between Italy and Her Base of Operations in Eritrea Is 2,000 Miles

under Salvador de Madariaga of Spain. While the committee began its labors the League Assembly was gathering. From this point the conflict between the League and Italy rapidly sharpened toward a complete rupture.

The Assembly was addressed on Sept. 11 by Sir Samuel Hoare, British Foreign Secretary, in one of the most impressive speeches ever heard at Geneva. On Sept. 13 he was followed by Premier Laval, who made an equally explicit pledge of French adherence to League principles. On Sept. 14 Maxim Litvinov spoke, pledging the Soviet Union to fulfill all its obligations under the Covenant. Meanwhile representatives of Belgium, Holland, Norway and Sweden had spoken, and they were followed with eloquence by President de Valera for the Irish Free State.

But as early as Sept. 14 Mussolini gave his answer in a Cabinet meeting which announced to the world that "the problem does not admit of com-

promise solutions." The undiscouraged Conciliation Committee presented its plan on Sept. 18. But on Sept. 22 Italy rejected it so brusquely that the conditional acceptance of Ethiopia on the following day counted for nothing. From that date war waited only on the ending of the rains.

This bare chronology of events at Geneva tells much less than half the story. Every word spoken by the leaders of the League—by Hoare, Laval and Litvinov—was underlined by the movements of the British warships in the Mediterranean. There was nothing dramatic or blustering about these movements. Indeed, nothing in these weeks was more striking than the contrast between Mussolini's martial preparations, conducted with mass meetings, parades, glaring headlines, noisy speeches, threatening communiqués, and finally an incredibly childish marshaling of the whole nation in its public squares, and the silent transfer of British squadrons, so well concealed by the Admiralty that much of it was learned only indirectly and when it was an accomplished fact. But when this transfer was concluded the two extremities of the Mediterranean bristled with British guns, and the Italian dictator suddenly assumed a new tone. In this mobilization of naval power the League found its chief moral (and material) support.

On the same date that the Council met, Sept. 4, the British Mediterranean fleet suddenly sailed from Malta for the Suez Canal, air force leaves were stopped in England, and unconfirmed rumors spread that the home fleet would go to the Mediterranean instead of the manoeuvres in the North Sea. On Sept. 11, the day of Hoare's vigorous speech, Prime Minister Baldwin presided over a meeting of the Committee on Imperial Defense. Next day, Sept. 12, heavy reinforcements for the Malta garrison were announced. Within the ensuing week scattered reports showed British warships rapidly moving from the Far East and the Indian Ocean toward Suez, and from the West Indies toward Gibraltar, which was being placed in condition to meet a siege. On Sept. 17 Europe was startled to learn that the greater part of the powerful British home fleet was at Gibraltar. By Sept. 20 it was known that large forces were collected at Alexandria, Haifa and Aden, and that feverish preparations for the military defense of Egypt were going forward.

In short, the British Empire had suddenly placed itself in a position to turn the keys on the gates of the Mediterranean at Gibraltar and the Suez Canal—though without a word to threaten such action. News of the movement was largely kept out of the British press, and the arrival of the main fleet at Gibraltar was first announced in New York newspapers.

It must at once be added that, as the League is primarily an instrument of peace, there was nothing ostentatiously warlike in this British action in behalf of the League. While it occurred the British Government and press, like the rest of the world, hoped against hope that the Conciliation Committee would produce a scheme acceptable to Italy and Ethiopia alike. To any government but that of a dictator bent on adding to his prestige by conquest, the plan offered on Sept. 18 should have been acceptable.

This plan proposed a "protocol of assistance"—that is, a comprehensive scheme for supervision of Ethiopia by the League. The League oversight was to extend to the policing of the country, the finances, the administration of justice and to education and public health. The chief supervising

officers were to be named by the League Council with the consent of the Emperor, and their work was to extend over a long period, with a review at the end of the first five years. Ethiopia was simultaneously to be thrown open to fuller economic development; and Great Britain and France expressed their recognition of Italy's special interest in this. France and England expressed also their willingness to "facilitate territorial adjustments between Italy and Ethiopia by themselves," consenting, if necessary, to certain sacrifices to Ethiopia in the region of the Somali coast.

All this would somewhat impair the sovereignty of Ethiopia. But the impairment would be in favor of an international agency, not in favor of an Italian yoke, and after the period of tutelage the nation would emerge with increased vigor and full independence. Since this is precisely what Mussolini did not want, he was certain to reject the plan. He did so with certain counter-suggestions, including annexations which extended west, not east, of Addis Ababa, and absolute control over the Ethiopian army, which the League could not for a moment entertain.

The fact must be emphasized that the plan of the Conciliation Committee did not stand alone and that an additional offer was made to Italy. When Sir Samuel Hoare addressed the League Assembly, he took up one of the principal Italian complaints and made specific proposals for meeting it. After saying that the League system is a flexible system, admitting of change and peaceable evolution, he declared that Great Britain was ready to examine the question of free access to raw materials. Several powers, notably Germany and Italy, apprehensive of being denied free and certain access to such materials, have made demands for colonies. Sir Samuel suggested a collective inquiry into the problem of guaranteeing an absolutely fair and free distribution of raw materials from colonial areas, including mandated regions and protectorates. He promised that the British Government would do its share to solve this problem to the satisfaction of the hungry powers. When he said that the question was economic rather than political and territorial, he did not necessarily close the door to transfers of land. There is a large party in Great Britain, represented by the *Manchester Guardian,* which would be glad to see a limited redistribution of African territory in favor of Germany and Italy.

A great deal of nonsense is being talked about national need of raw materials. No monopoly of them whatever now exists. The world suffers today, as every American miner and farmer knows, from a plethora of raw materials. The producers thereof would be only too glad to sell any quantity of them to Italy at the slenderest margin of profit. Suppose the Italians, at vast expense in blood and taxation, finally set up a flourishing colony in Ethiopia. The coffee they produce would add to the superabundant store from Brazil; the rubber to the glut in South America, Malaysia and Liberia; the cotton to the world's surplus from America, Egypt and India. Some raw materials, like tin and nickel, Italy can under no circumstances control. Even the United States is without immediate control of them, as it is of rubber.

The simple truth is that if Italy wants an excuse for the conquest of Ethiopia she will have to find it elsewhere than in the deprivation of raw materials, for no such deprivation exists. That particular excuse would be as specious as the excuse that Italy

needs Ethiopia as an outlet for her excess population. Italy's surplus of population is counted in millions, and she would find the settling of even 100,000 colonists in East Africa a very slow, laborious and costly affair. What Mussolini desires is simply conquest and he desires it mainly for reasons of prestige.

Yet this does not alter the fact that Sir Samuel Hoare's suggestion of an international conference upon raw materials is an excellent one. Certain economic advantages, if only of investment, do exist in connection with the possession of colonial territory. The "hungry nations" have a legitimate grievance against those which are full-fed. The conference would find the problem full of difficulties. There is no way, for example, in which Great Britain could compel Canada to share her nickel, Australia her wool, South Africa her gold, or even India her cotton; questions of reciprocal trade, of imports as well as exports, would arise in connection with the Crown Colonies. But these problems will have to be faced sooner or later. It is interesting to note that the British press gave a generally cordial reception to Sir Samuel's proposal. The London *Times*, the *Daily Telegraph* and the *Manchester Guardian* spoke well of it, and even the Tory *Morning Post* stated that while the present was hardly the moment for such an inquiry, "we might be inclined to give freely out of our strength."

The Italian rejection of the plan of the Conciliation Commission, with Hoare's addition to it, was of course the inevitable result of the war mood which Mussolini had created in Italy. With that mood the League now had to reckon. The Italian people had been brought to the point where they believed the war just, moral and inescapable. So far as observers could judge, they stood behind Mussolini.

The League was thus confronted by a sad choice of evils. If it acted slowly and cautiously, applying only the mildest sanctions while the Italian armies swept across Ethiopia, then fascism would be stronger than ever on the Continent of Europe; the League would be left in a dubious and perhaps weakened position; conquest and the mailed fist would have won a new victory. If the League adopted firm measures then a new danger loomed up. The defeat of Italy through decisive sanctions would leave the Italian people bitter, disillusioned, dissatisfied. Impoverished, overtaxed, demoralized, they would be ripe for joining the "revisionist" camp in Europe now occupied by Germany, Hungary and Bulgaria. They might, if their defeat were sufficiently crushing, even be forced into communism. Of these dangers the leaders of the League—that is, the British and French Governments—had constantly to think.

That they were thinking of such dangers was made clear by Baldwin, Hoare and Laval as the fighting in Ethiopia began. There was every indication in Geneva, London and Paris that the League would act by successive stages, hoping meanwhile to bring the war to an end. At all times, in dozens of speeches, the British leaders had made it clear that they would not move alone. Hoare in his speech of Sept. 19 spoke of "steady and *collective* resistance to all acts of unprovoked aggression." In his note of Sept. 29 to the French Government he pointed out that Article XVI suggested various courses of action against any culprit, implying that choice might be made of those most effective in the circumstances of the case. Prime Minister Baldwin, as late as Oct. 4, went out of his way to

say: "There never has been, and I hope there never will be, national enmity between my country and Italy." That is, Great Britain plainly preferred to take mild measures at first, resorting to more drastic steps only if the first sanctions did not succeed. She could not act without France and France was even more anxious than she to act mildly at the outset.

The French attitude, at this writing, was uncertain. In a reply to Britain made public on Oct. 7, France declared that her assistance in case of an Italian attack on the British fleet was conditional upon British support on land and in the air in case of French need. A complete Franco-British understanding, in other words, had not yet been reached.

There is no requirement of military or naval steps under Article XVI of the covenant. The only explicit requirement is of economic measures. All League members are pledged, when any nation resorts to war as Italy has done, to subject that nation immediately "to the severance of all trade or financial relations, the prohibition of all intercourse between their nationals and the nationals of the covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State." The severance of all financial and trade relations with Italy would be a complex problem requiring time and preparation for effective solution. Embargoes and restrictions could in any event be applied only by degrees. If Italy remained recalcitrant, the vise could slowly be tightened.

The great hope was that Mussolini, realizing that Great Britain was in earnest, that the sympathy of the world was with the League, and that he ran the danger of total disaster, would be satisfied with a few showy preliminary victories. The capture of Adowa and other easy points would give him opportunity to stage resounding celebrations in Italian cities. He might then, under the pressure of financial difficulties as well as of the League, consent to negotiate on terms not far removed from those suggested by the Conciliation Commission. In his speech on the occasion of "national mobilization," on Oct. 3, he declared that Italy would not regard economic and financial sanctions as ground for armed resistance. It was only open "acts of war" to which he would reply by warlike acts of his own. But Mussolini's utter unscrupulousness and recklessness and the danger that he might unchain Italian passions that he could not easily control, rendered the future obscure.

The all-important fact is that at this writing the League gives promise of rising to the height of any need that is imposed upon it. Thus far its chief bulwark in the crisis has been Great Britain. It is a cheap and shallow cynicism that ascribes Great Britain's course merely to selfish motives; for if the expressions of the press, or the Labor party, or the pulpit be any index, the feeling of the great mass of the British people has been raised to a pitch of high idealism, far removed from mean or ignoble motives. As for France, Premier Laval has said explicitly: "Our obligations are inscribed in the League Covenant. We shall not evade them." The smaller nations of the Continent, together with the Soviet Union, have made it plain that they agree with Mr. Baldwin that if "security can best be achieved by collective counsel and collective action, then responsibility for any action that may be taken rests on all, and must be squarely faced by all."

Italy on the Eve of War

By WILLIAM E. LINGELBACH

ITALIAN war fever, though somewhat sobered in the face of the mobilization of Great Britain's powerful fleet, continued high throughout September. Troops, artillery, tanks, planes and supplies continued to flow in a steady stream to East Africa. Italian industry under the pressure of military needs was speeded up till production rose 19 per cent above that of a year ago. Finances and taxes were practically placed on a war footing; the press and government spokesmen assumed that hostilities with Ethiopia would shortly begin, as on Oct. 3 they did. By that date orders had been given for the closing of all Italian consulates in Ethiopia.

Italian relations with the League of Nations, and more particularly with Great Britain, nearly reached the breaking point. In September the response of the government and the press to the vigorous action of the powers at Geneva was one of defiance. Even the ominous mobilization of the British fleet in Mediterranean waters served at first only to irritate and anger the Fascists.

Cabinet meetings followed each other in rapid succession with each new development at Geneva and in the Mediterranean. At these, Mussolini, who himself holds seven portfolios, explained the situation to his colleagues, and official statements or communiqués on the Cabinet's decisions as to Italy's stand were issued. With each new communiqué, proof of the insuperable obstacles to a peaceful settlement of the dispute with Ethiopia became more apparent. On the other hand, a statement issued on Sept. 28 marked a distinct change toward Great Britain and the exercise of sanctions by the League. By some it was heralded as opening the door to a compromise on the European aspects of the situation. The prospect was further improved when Mussolini announced that Italy was ready to drop her contention that the exercise of economic sanctions would be a casus belli. Military interference only, he pointed out, would mean war. Mussolini again expressed his attitude on the occasion of the great Fascist rally on Oct. 3, when he said: "To economic sanctions we will reply with our discipline, with our sobriety, with our spirit of sacrifice. To sanctions of a military nature, we will reply with military action." But the future remained in doubt.

In the face of possible European complications, military preparations took on a broader character. The African expedition still held the centre of the stage, but the threat of a war for the hegemony of the Mediterranean came more and more into the foreground. Sweeping mobilization orders were issued to the Italian fleet. A High Board of Strategy to coordinate and direct the disposition of sea, land and air forces was created, and a special commission was set up to examine the status of neutrals in case of war. The fleet was divided into two fighting squadrons, concentrated, according to reports, in the waters of Dodecanese Islands in the Eastern Mediterranean, where fortifications, underground oil reservoirs, hospitals and other war preparations were pushed forward with feverish haste.

Nearer home, the fortifications of the island of Pantellaria, between Sicily and the African coast, were strengthened for the purpose of cutting British communications in the Mediterranean in case the struggle for the control of that sea should develop.

In the meantime enormous quantities of war supplies were imported—coal, timber, 1,000,000 tons of wheat and other foodstuffs from Russia and Turkey, and tons of beef from South Africa direct to the armies in Eritrea and Italian Somaliland. All buying was done under a government monopoly directed by the Department of Communications and Transport. War materials were exempted from customs duties.

The pay of soldiers and their wives was materially increased during the month. Instead of the 12 cents a day heretofore paid men who have had some previous military service, the pay was fixed at about 45 cents, while the wives at home received 45 instead of 33 cents.

The costs of the African venture were colossal and the drain upon the gold reserve now unprotected by legal limitation proceeded rapidly. According to a decree published in the *Official Gazette* on Sept. 24, 2,500,000,000 lire had been appropriated for extraordinary expenses in Africa (at par the lira is worth nearly 9 cents). The balance of trade continued unfavorable; tourists' expenditures had fallen off materially, while foreign loans and credit were almost out of the question. To meet the steadily increasing cost, financial measures closely resembling those of actual wartime were inaugurated. On Sept. 18 an issue of a short-term war loan up to a total of 7,000,000,000 lire was announced, the bonds to sell at 95 and bear interest at 5 per cent. Holders of the present government 3½ per cents were allowed to exchange their bonds for the new issue at 80.

New taxes were also ordered, especially on transportation and business turnover. The discount rate of the banks was raised on Sept. 8 for the second time within a month—from 4½ per cent to 5 per cent. In the first week of September, dividends on industrial securities were limited to 6 per cent; earnings above that sum were to be reinvested in the business. This, coupled with the new taxes, caused an appreciable decline in the price of Italian securities.

As a stimulus to the national spirit, Mussolini on Oct. 2 gave orders for a general mobilization of the country's 10,000,000 Fascisti. The order was issued over the radio at 3:20 P. M. by Achille Starace, grand secretary of the party. Immediately church bells and sirens took up the summons and men and women, boys and girls, dropped the work or play in hand, returned home, donned the Fascist uniform and joined their respective units in the public plaza and parade grounds.

After a lapse of two hours, the time allowed for assembling, bands struck up *Giovinezza*, the Fascist youth hymn, and Mussolini appeared on the balcony of the Palazzo Venezia to address the nation. Over a radio hookup in 7,329 cities, towns and villages, he spoke of Italy's "just cause" in Africa and of her anxiety to avert a European conflict. The impressive civil mobilization was heralded by the press as an inspiring demonstration of national discipline and solidarity, and a direct answer to the 2,000,000 British Labor votes for the application of sanctions against Italy.

Haile Selassie's Defense

WHILE statesmen in London, Paris Rome and Geneva wrestled with the problem of peace during the waning Summer months of 1935, thousands of miles away from Europe, temporarily secure in his primitive mountain capital of Addis Ababa, Emperor Haile Selassie of Ethiopia made last-minute attempts to organize his semi-feudal dominions against the assault of modern Italy. Here was drama of unparalleled interest—the Sixteenth Century struggling to protect itself against the Twentieth.

Addis Ababa swarmed with correspondents, feature writers, press photographers and moving-picture camera men. Night after night the limited radio and telegraph facilities for communication with the outer world were overwhelmed in order to bring to European, American and Asiatic readers (at a press rate of 26 cents per cabled word from Addis Ababa to London) the unraveling of an epic tale. Yet hardly more than a series of impressions could be transmitted, so complicated and mysterious was the Ethiopian scene. The government press bureau gave out no information of value—not that it did not wish to accommodate correspondents, but, as one put it, "the officials don't know what to do or how to do it."

That great military activity went on there could be no doubt. Clad in native costume or improvised uniform, barefoot, hatless, awkward, thousands of Haile Selassie's subjects paraded the streets of the capital and disappeared in columns toward the threatened frontiers. By the end of September the long rainy season was coming to an end; roads would become more nearly passable, and Italian troops, tanks and artillery would be able to begin their expected advance. Little time was to be lost.

As to the fighting qualities of the Ethiopians, even trained foreign observers could not be sure. At best the troops were irregulars, consisting of the so-called imperial army drawn from Harrar, Wallo and Shoa, the Provinces of which Haile Selassie is overlord, and of feudal levies from other parts of the empire. They had been instructed in the rudiments of drill by Swedish, Belgian, French and Swiss officers, but their ability to stand up under fire was debatable, their amenability to discipline unknown. They enjoyed the advantages of any defensive army—familiarity with terrain, with climate, with living conditions—but they had no common national purpose; they were of different creeds; they spoke different languages.

The Ethiopian command, as well, was by no means obviously superior to the Italian. Wehib Pasha, Turkish general, was in the lead on the southern front, where a major attack was expected. On the north, near Adowa, where Italy eventually launched her first drive, the troops were headed by Ras Kassa, 60-year-old hero of the earlier Adowa encounter. Directly responsible to the Emperor for all military movements was Ras Mulugeta, Minister of War.

Could even the best of commanders, however, dispose his forces sufficiently well to assure a victory? And were the troops skillfully deployed, could they be fed and cared for during a protracted campaign? Men leaving

for the front carried with them rations of parched corn and other foodstuffs, and steps had been taken by the government to establish grain depots in outlying parts of the empire, but would these efforts suffice to maintain an army for more than a few weeks? Tons of hospital and surgical supplies had been hurried into Addis Ababa, but would these be put to profitable use by a nation which had hitherto allowed its warriors to suffer unaided on the field or when wounded to succumb to prowling wild beasts?

Ethiopian arms and ammunition were also of doubtful quality. Munitions arrived steadily over the country's single railroad, that running in from Jibuti, in French Somaliland, but no one could tell whether they were arriving in sufficient quantities, since until the end of September most of the Western nations manufacturing war supplies had embargoed shipments to Ethiopia. There were at least a few of the most modern instruments of warfare on hand; correspondents told of anti-aircraft guns mounted on motor trucks in the streets of the capital, of occasional detachments armed with quick-firing Skoda rifles. Over 1,200 tons of munitions had been moved in via Jibuti since April.

On Sept. 23 it was estimated that 1,166,000 Ethiopian warriors were under arms. Another estimate was less sanguine, and fixed the size of the largest army which Haile Selassie could mobilize at 500,000. But when mobilization was finally ordered on Oct. 2 at least 250,000 troops were ready for battle.

Events beyond the military sphere were impossible to gauge. Foreign civilians had been leaving the country in a steady stream for weeks. Foreign legations had laid in extra supplies of foodstuffs and first-aid material; Great Britain and France had been allowed to bring in small detachments of troops to guard their diplomatic quarters. The Emperor and Empress had broadcast radio talks to explain their plight to the outer world. The Crown Princess had disregarded all conventions of court conduct and had joined a group of ladies in the making of bandages and surgical dressings. The civilian population had been worked up to a fever pitch by religious festivals, parades, celebrations.

Addis Ababa, meanwhile, had become, as one correspondent explained, the most interesting place in the world—and the most irritating. "Lack of information, rumors in the bazaars, ineptitude, bribery; ram, lamb, sheep, mutton or goat twice a day; Somerset Maugham's rains, almost freezing temperatures; a Houston Street tenement room; fleas, lice, dirt; panhandling natives, lepers; an eternal manifestation of war, a disquieting quietude; a breath-taking altitude of 8,000 feet; camels with halitosis, refractory mules, screaming hyenas, geese which hiss and nip at one's legs, then chortle; motor cars racing about narrow streets to the frenzied blowing of horns"—this was the scene as the day of conflict drew near.

Yet what happened on the streets and byways of Addis Ababa was no key to the real internal situation in Ethiopia as a whole. It was impossible to tell to what degree native rivalries, dynastic quarrels and tribal unrest could be diverted to a national purpose, whether in the face of actual invasion the loosely knit African empire could maintain sufficient unity to offer successful resistance. The half-Oriental, half-Christian agglomeration which had prepared itself to face Mussolini's iron battalions had to be tried before the verdict could be given.

The Italian Invasion Begins

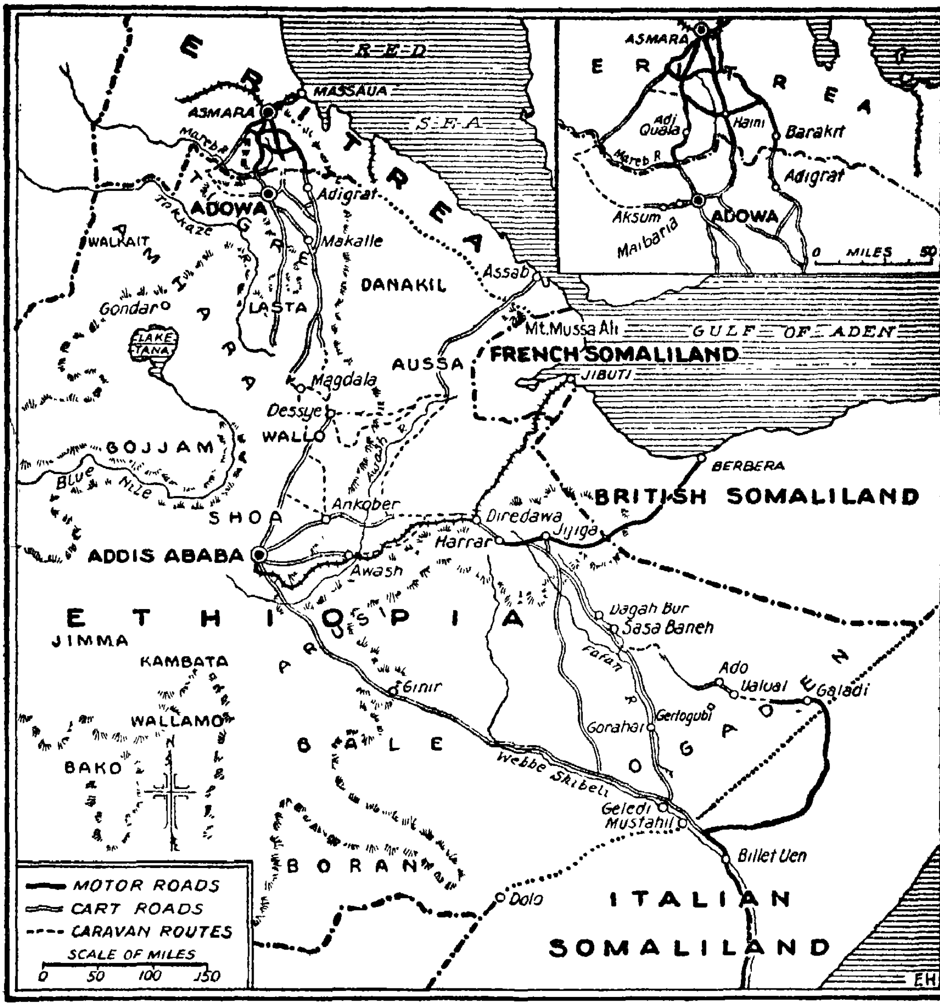
E long expected news that Italy
iad begun her invasion of Ethio-
eached the world through an an-
cement by the Ethiopian Gov-
ient on Oct. 2 that Italian forces
l on Assab in Southern Eritrea
penetrated Ethiopian territory
Mount Mussa Ali. According to
ch sources, this column, the ob-
ve of which was to cut the Jibuti-
s Ababa railway, crossed the
ier about a week earlier and es-
shed an airplane base.

though officials in Rome found
ivenient to deny this preliminary
tion of the frontier, the dawn of
3 saw Italy's war for revenge,
erritory and for glory unleashed
full fury and beyond the possi-
of denial. A squadron of Ital-
ombers, commanded by Captain
izzo Ciano, Premier Mussolini's
n-law, flew over Adowa, the
of Italy's defeat in 1896, and
rat, a village about fifteen miles
east, and dropped their cargoes
ombs. Simultaneously Italian
s crossed the northern frontier
iumber of points and began their
toward Adowa. At the end of
irst day they were reported to
penetrated nearly twelve miles
n the frontier and to be almost
n heavy gun range of their ob-
e. Another drive was launched
Italian Somaliland with Harrar
objective. Practically no oppo-
was encountered on any of the
s on the first day. This seems to
out Emperor Haile Selassie's
that he had withdrawn his forces
ine about eighteen miles behind
ontier to prevent incidents that
give Italy grounds for charging that Ethiopia was the aggressor.

In announcing that Adowa and Adigrat had been bombed by Italian planes, Haile Selassie charged that the Red Cross hospital at Adowa had been struck and that some 1,700 civilians had been killed or wounded. This figure was influenced by the usual war-time exaggeration, for an official estimate later placed the number of casualties at less than 100. Italian authorities denied that the hospital had been hit and declared that only a fort that had fired on the planes had been bombed.

Soon after announcing the bomb attack, the Emperor ordered the Italian Legation placed under guard and a general mobilization by means of the age-old method of war drums, which resounded from mountain to mountain and from village to village throughout the country. Although momentarily expecting enemy bombers to appear from the East the thousands of tribal levies concentrated at Addis Ababa greeted the proclamation of war with enthusiasm. Waving their knives they shouted: "Death to the Italians! Finish them once and for all! We thank you for your decree. God give you long life."

After reading the proclamation ordering the general mobilization, Haile Selassie pardoned 7,000 able-bodied prisoners regardless of their crimes, and all enlisted to fight the invader. The government issued a warning that all slackers and spies would be immediately hanged. A few anti-aircraft guns were concentrated about the railway station in preparation for a raid expected to come from the Italian air base at Mount Mussa Ali, and



Communications and Terrain in Ethiopia. Insert Shows Region Around Adowa

work was rushed on a number of bomb-proof shelters.

The next day, Oct. 4, brought well-confirmed news that Italian columns converging on Adowa had made substantial progress through the mountainous terrain. The only resistance encountered was from small bodies of Ethiopian scouts. Fierce fighting was reported to have taken place between local tribesmen and the Italian Army advancing from Mount Mussa Ali. Considerable losses appear to have been suffered by both sides in this region. Although news of General Graziani's advance into Ethiopia from Italian Somaliland was vague, it was learned that his forces, specially equipped with tanks and armored cars, were pouring over the frontier in drives up the Webbe Shebeli River and, farther east, toward Gerlogubi and Jigjiga. Italian planes were active on this front, bombing the mud fort and concentrations of tribesmen at Gorahai, about eighty miles inside the Ethiopian frontier. The Emperor seemed to be particularly concerned

about the invasion from Ogaden, since it threatened Harrar, the Province over which he was Ras until his coronation in 1931. He immediately sent reinforcements to that quarter.

Adowa, the most important of Italy's immediate objectives, had to be taken at whatever cost, and quickly, to satisfy public opinion at home. Nevertheless, the Italian Commander-in-Chief, General de Bono, slowed down his advance upon discovering that the town was defended by a strong force under Ras Seyoum, which had a number of machine guns and field pieces. General de Bono made his lines of communication secure and waited for his artillery to come up. The Italian air force, however, was very active, making hundreds of reconnaissance and bombing flights over Adowa, Adigrat and the surrounding country.

Dessye, where the main Ethiopian Army was believed to be concentrating, was bombed by Italian planes on Oct. 5, and an aerial reconnaissance was reported to have been made over Haya Fetchie, only seventy miles from Addis Ababa. On the same day General Graziani's forces took Dolo, an Ethiopian town near the Somalian border.

No serious attempt was made by the Ethiopians to defend Adowa, and that place was taken by General de Bono on Oct. 6. Adigrat was also occupied the same day, though its capture had been prematurely announced. After establishing a new line in the hills south of Adowa and Adigrat the Italian commander set about the task of establishing a new base of operations at the former place. Work began at once on a large airfield and thousands of laborers were engaged in improving the roads between Adowa and the Eritrean frontier. On the Somalian front the Italians occupied Gerlogubi on Oct. 6, and again bombed Gorahai.

The first five days of the undeclared war were marked by a steady but cautious Italian advance from Eritrea and Italian Somaliland against a defense that apparently amounted to little more than skirmish lines. No battles were fought and no fortified places were captured. Italian headquarters announced that few casualties had been suffered and since even the Italian official estimate of Ethiopian losses around Adowa was only 600 it is apparent that that place was surrendered according to plan. Haile Selassie minimized its capture and declared that no attempt had been made to hold the Italians at that place. In Italy, however, the taking of Adowa was hailed as a great victory that wiped out the disgrace suffered by General Baratieri's army in 1896.

Ethiopia had, of necessity, to fight defensively, and that could best be done by permitting the invaders to get well into the rugged country in the north and the deserts in the south where their lines of communications were likely to be long and vulnerable to attack by guerrilla bands. The Emperor, keenly aware of the odds against which he was contending, knew that he could scarcely hope to defeat the Italians in open battle or hold places against their artillery and bombs. He had to place his reliance very largely upon the disadvantages that the Italians would have to contend with in the way of terrain and climate.

Such was the situation as this magazine went to press a few days after the outbreak of hostilities. To what extent they would develop into large-scale warfare remained to be seen.

Arab Fears of Italy

By ROBERT L. BAKER

NOWHERE has sympathy with Ethiopia in her struggle to escape conquest by Italy been keener than among the Arabs of the Near East. Knowing little and caring little about the danger to the peace of Europe involved in the dispute, about the preservation of the peace machinery or about the abstract injustice of conquest, the Arabs find in Italy's determination to expand a threat to their own safety. If Italy should succeed in seizing Ethiopia, might not her inflamed imperialism then turn to the neighboring Arab countries?

Various happenings in recent years have aroused a suspicion among the Arabs that Italy's ambitions boded them no good. The tale of Italy's treatment of Arab rebels in Tripoli has grown, with the passage of time, into the tale of a massacre, and is retold many times over in the native press of Egypt, Palestine, Syria and Iraq. The Italians are also accused of having desecrated the mosques in Tripoli. Mussolini's demand in the Spring of 1934 that Italy should seek economic and cultural expansion in Asia is recalled, as well as his cultivation of the Imam of Yemen before the latter's disastrous war with Ibn Saud. Arab leaders and newspapers are convinced that Ethiopia is bearing the brunt of their own fight against Italian imperialism, and they denounce Mussolini's carefully prepared attack on Ethiopia in terms that are strong and sometimes violent.

Italy has tried in various ways to overcome this antipathy. Propaganda centres hâve been established in Egypt and Syria. The one in Egypt offers a free news service translated into Arabic, including photographs, to any newspaper in the country. A broadcast in Arabic is sent out daily from the powerful radio station at Bari to present Italy's case and to attack those of Ethiopia and Great Britain. The Emir Shakib Arslan, an Arab Nationalist leader living in Geneva, has been prevailed upon to issue statements and write articles favorable to Italy. But these measures have not had the desired effect. In Syria two newspapers attacked Italy so violently that they were suppressed by the French authorities. At Beirut and Damascus crowds assembled at the mosques to sign petitions to the High Commissioner and to the League of Nations demanding the suppression of the Italian propaganda offices. The only Arab newspaper in Palestine that has printed pro-Italian articles has been obliged to alter its tone.

The great Nationalist party in Egypt, the Wafd, is sympathetic with Ethiopia, but sees in the present situation an opportunity to forward its own interests. Nahas Pasha, its leader, declared on Sept. 8 that Egypt would take part in the present war only on the basis of full equality with Great Britain. He added that if the British were dominated by imperialistic motives, such an arrangement would not suit them; but "if they desire to reach an honest agreement, this is the best opportunity for it." Arab leaders elsewhere, including the Emir Abdullah of Trans-Jordan and King Ibn Saud, are reported to be willing without reservation to support Great Britain's efforts to thwart Italy.

American Business Is Better

By CHARLES A. BEARD

THE old formula, "the business of America is business," was confirmed in the Autumn. After the adjournment of Congress, editors, politicians, economists, business leaders and statisticians began to take stock with renewed zeal. As usual, passion blurred vision. It was in the interest of New Deal sponsors to report positive gains in economic enterprise. It was in the interest of their opponents to show that things were not getting better or that, if they were, government interference with "the normal course" was preventing the immediate upswing to prosperity, perfection or whatever might be the summum bonum of correct hopes. That old game, played to different tunes for a hundred years, was played all through September, 1935.

Yet economists who collected and compiled the figures giving the indices of business had to record as a matter of hard fact a somewhat steady, if slow, upward climb in most major industries during the Summer and early Autumn. It was reported that the General Motors Corporation sold more cars in August, 1935, than in any August since 1929; that the sales of farm implements for the first half of the year were up 75 per cent; the sales of department stores, mail-order houses and chain stores were all up in dollar volume; and car loadings for the week ended Aug. 31 showed a gain of 5 per cent over 1934.

Luxuries and diversions, not excluding the Baer-Louis prizefight, indicated a freer flow of spending money. Cigarette consumption for July, 1935, was the largest ever recorded, and even cigar consumption was up. Expenditures for Summer travel were the greatest since 1929—the year of vacation joy before gloom. Amusements reported "the best season since 1930."

Still more to the point of "public interest," as generally conceived in the United States, were profits. Standard Statistics Company, Inc., reported in September that machinery earnings for the first half of 1935 were 263 per cent greater than for the first half of 1934, and that the earnings of 394 major companies for the same period had risen 13.1 per cent. Steel ingot production was the biggest since 1930, but the heavy industries on the whole displayed no spectacular activities, despite the fact that sixteen building materials companies reported earnings higher by 135 per cent for the six months' period.

The findings of Standard Statistics were confirmed on Sept. 19 by a report made public by Secretary Roper from the Department of Commerce. Taking March, 1933, and June, 1935, as dates of comparison, Secretary Roper reported gains all along the line: Industrial production, 46 per cent; factory employment, 36; factory payrolls, 79; rural general store sales, 104; construction contracts, 157; automobile production, 213; prices of 421 leading stocks, 84; net profits of 413 leading corporations "greater than for any year since 1930." The Secretary also rejoiced that "recovery psychol-

ogy" had displaced "depression psychology." He affirmed positively: "We have now, according to reliable and acceptable economic evidence, passed the primary stages of a great cyclical upswing and entered into that phase which will determine the course and duration of that upswing."

An "optimistic tone" also accompanied the discussion of a new "truce" with business announced earlier in September by the publication of correspondence between Roy W. Howard of the Scripps-Howard newspapers and President Roosevelt. In his communication to the President, Mr. Howard declared that many business men who had once supported the New Deal were "now not merely hostile, they are frightened." They wanted some word of assurance. The President gave it. He assured Mr. Howard that his "basic program" has "now reached substantial completion and the 'breathing spell' of which you speak is here—very decidedly so." In the vernacular currency, the term "breathing spell" seemed to take the place of "the forgotten man." If Republican editors were skeptical, the administration press was whole-hearted in its reception of "the glad tidings." The stock market responded handsomely with an upward spurt of from 1 to 4 points, but the rush was not sustained. October opened with dull trading until news of the Italo-Ethiopian conflict sent securities down.

When the second breath was taken during the breathing spell several neglected items came to the surface. Social workers and relief workers once more reminded the country of the millions of unemployed on their rolls and inquired when the new prosperity would take them off the public lists. Left-Wing members of Congress, such as Thomas Amlie, referred to the same phenomenon, and wondered how the New Deal program could be closed with the dole line extending across the continent. Technocrats and "abundance men" again asked about the possibilities of bringing production up to the output of 1928 or higher in the range of capacity. If these plaintive and minor strains could be ignored by responsible personalities, other facts could scarcely be avoided.

These other facts were in the same class as death and taxes. First among them was the realization that the chief features of President Roosevelt's "basic program," so happily completed, were to come before the Supreme Court at its October term—the tribunal which had so recently declared invalid the gold resolution for Federal securities, the NIRA, the Railway Pension Law, and other measures included in the New Deal. What would be the fate of the rest of the "basic program"? Uncertainty reigned despite the declaration of eminent lawyers, employed by the Liberty League, hinting that about everything in the New Deal was invalid.

It was then remembered that, whatever the Supreme Court did, the "breathing spell" would be filled with excitement. If it sustained laws against which business has been complaining bitterly, how could business be prosperous? If it invalidated the AAA, the Guffey-Snyder Coal Law, the Wagner-Connery Labor Law, and a few other elements in the "basic program," what would be the political effect? The peace of acquisition and enjoyment was not assured. Besides, important Congressional investigations were pending—into utilities, railways, munitions and other branches of American economy, and more legislation might grow out of the inquiries. In addition, it was known that some efforts might be made to put new flesh on the skeletonized NRA, still await-

ing its fate, notwithstanding the judicial ruling in the Schechter case.

Despite the indubitable signs of economic improvement clearly visible in the Autumn, the horizon was, in truth, not without clouds. Late in September Harry L. Hopkins, Works Progress Administrator, could report no material reduction in the millions of wage-earners unable to find employment in private industry. The very fact that President Roosevelt took Mr. Hopkins and Secretary Ickes, Public Works Administrator, to accompany him on his Western tour indicated that he too recognized the gravity of the situation. Earlier in the month the President had stated that owing to the improved efficiency of industry a return to the volume-production of 1929 would still leave 20 per cent of the 1929 man power unemployed. If the respectability of the country, freed from the spectre of disorder by Federal relief measures, was inclined to forget the millions on the dole or public payrolls, the administration could scarcely overlook them, at least safely. Nor was it inclined to do so.

The problem was one of methods. Could the administration wait for the slower and more substantial tactics of Secretary Ickes, who sought to project works of a fundamental character and to stimulate heavy industry, still laboring in the slough of despond? Or was it to follow the lines of Mr. Hopkins, eager to get millions off the relief roll and employed in light construction enterprises of more or less dubious economic utility? Confronted by this dilemma, President Roosevelt put the bulk of his weight on the side of Mr. Hopkins, without deserting Secretary Ickes entirely. This seemed to mean that it was the intention of the administration to give work of some kind to about 3,500,000 unemployed during the Winter and Spring, in the hope that private business, enjoying its breathing spell, could take care of them later, in any case before the expiration of twelve months. If this was the correct view, then American business enterprise had a gigantic task immediately ahead, for it was apparent that unlimited Federal spending could not go on indefinitely.

THE CONSTITUTIONAL ISSUE

Rumblings of impending events were especially loud on Sept. 17—Constitution Day. As usual the innocents and the sophisticates took part in the celebration. Mayors, Governors and other politicians of all persuasions joined in praising the Ark of the Covenant. But especially conspicuous by their presence were Republican and Democratic lawyers and orators of the Right Wing. It was known to historians that Federalist politicians even took advantage of George Washington's funeral to extol their cause, and the expected happened on Sept. 17, 1935. The celebration of the signing of the Constitution was made the occasion for praising the Republican party and identifying it with the fundamental law of the land. Indeed so close and loud was the identification that more than one conservative editor was moved to remark that the thing had been a bit overdone.

The Liberty League performed automatically in its best style. A "Southern Committee to Uphold the Constitution," claiming 50,000 members, came out bravely against "tampering with the document." Former President Hoover praised the Constitution with special emphasis in a public address; he warned the country against dictatorships in the European style, and saw the "first sapping of safeguards" in the "abdication of its responsibili-

ties and powers by Congress to the Executive, the repudiation by the government of its obligations, the centralization of authority in the Federal Government at the expense of local government, the building up of huge bureaucracies, the coercion and intimidation of citizens." Clearly the Constitution was in mortal peril, and only the Republican party could save it. This was true to form.

More significant than lucubrations on the right was a single address on behalf of the administration by Daniel C. Roper, Secretary of Commerce. He added a new slogan to the "forgotten man" and the "breathing spell." It was "forward with the Constitution." Mr. Roper made two remarks more than cryptic. "The framers of the Constitution," he said, "could not envisage specifically the vast and complicated problems which changing conditions in our economic and social life have brought about." The principle was pointed as well as axiomatic. It savored of "the horse and buggy" comment on the decision of the Supreme Court in the NIRA case. Then Mr. Roper added, in language still more premonitory: "There is an unfounded un-American cry in our country today that even to think of changing the Constitution is heresy; yet the amendment clause of that document is the source of the people's greatest strength and the basic principle of democracy."

According to rumor among Washington reporters (which is often as authentic as printed news) Secretary Roper's speech represented the double-distilled wisdom of the Brain Trust and was approved by the President before delivery. Rumor also had it that the most conservative member of the Cabinet was chosen deliberately, to make the message more impressive in important places. Taken collectively, these rumors and other speculations were interpreted to mean that the administration is expecting more setbacks in the Supreme Court, and that it is preparing to take the constitutional issue to the country in due course. All of which seems plausible enough.

During the same palpitating week fifty-eight eminent lawyers chosen by the Liberty League to consider the constitutionality of recent New Deal laws made a solemn pronouncement on the National Labor Relations Act. To no one's surprise the eminent lawyers found the act invalid on three grounds: It violates the due-process clause by depriving the individual worker of the right to bargain for himself; it deals with a subject reserved to the States; and it transgresses the interstate commerce clause of the Constitution. Unhappily for the perfect reception of the decision and opinion of the fifty-eight judges, a dissatisfied publisher printed a list of the eminent lawyers and the corporations from which they have had or now have retainers—which list suggested the story of the hand and voice of Esau and Jacob. The impressiveness of the new tribunal was somewhat shaken by this thrust.

Another incident also marred the reception of the extra-judicial opinion of the eminent counsel on the Labor Relations Act. In the course of the dénouement E. F. Reed, putative author of the brief in the case submitted to the public as jury, expressed a sentiment hitherto confined to chambers: "When a lawyer tells a client that a law is unconstitutional, then it is a nullity and he need no longer obey that law." To tender minds and consciences this was something of a shock; as one editor put it, "inciting the public to disobey the law." It had previously been supposed that a law must be ob-

served until, by proper judicial process, the government has been restrained from enforcing it on constitutional grounds, and that the mere ipse dixit of a lawyer did not free a client from the necessity of obedience. Yet this is a progressive age and a new type of jurisprudence may be emerging in the United States. If employers do not like laws they may hire lawyers to advise disobedience.

Yet it may be that there is to be no tampering with the Federal Constitution as interpreted by the fifty-eight lawyers, for on Constitution Day the voters of Pennsylvania defeated a proposal to revise the State Constitution—to "liberalize" the document of 1874. These proposed changes, sponsored by Governor Earle in the spirit of the New Deal, were vigorously opposed by the Republican regularity, including ex-Senator Joseph Grundy, head of the Pennsylvania Manufacturers Association. As interpreted by political observers, the contest had a national meaning and the defeat of the Governor's proposals was a warning to all who would lay profane hands on the Federal Constitution. Perhaps they were right.

The opening gun of the eminent lawyers bent on invalidating New Deal measures was fired in the Federal District Court at Baltimore late in September by John W. Davis, counsel for the Edison Electric Institute, successor in interest to the National Electric Light Association. In behalf of a client whom he had not met before the day in court, Mr. Davis intervened in proceedings touching the reorganization of a public-service corporation under the Federal Bankruptcy Law, and sought from the judge an opinion on the constitutionality of the Holding Companies Act.

In the course of his argument, Mr. Davis made a vitriolic attack on the principal features of the measure. Counsel for the Federal Government filed protests. They alleged that the client whom Mr. Davis represented was a kind of "dummy," that the action was collusive in nature, that it was intended to tie the hands of the administration, that it was designed to get a mere "advisory" opinion against the act and free utilities from the necessity of complying with the preliminary requirements of the law, and that the Federal Government had not received sufficient notice to prepare for an immediate trial of issues. Notwithstanding efforts to keep the combat within the proprieties of the law, the proceedings revealed an animus on both sides that obviously transcended the case in hand. If these tactics were to be pursued in other cases all the way up to the Supreme Court, then the conduct of counsel and judges in the income-tax case of 1895 will seem mild and sweet-spirited in comparison. As Justice Holmes was wont to say, it may be quiet in the court chamber but echoes will be heard from afar.

THE PRESIDENT ON TOUR

That President Roosevelt recognized the strategy of the situation thus presented was revealed in the planning and execution of his tour to the Pacific Coast. He declined an invitation to address the convention of the American Legion at St. Louis, whose declarations of faith and action were foregone—immediate payment of the bonus, withdrawal of recognition from Russia and a "drive on the Reds in the schools." Powerful as the Legion might be in the lobbies of Congress, it was not more powerful than the constituency upon which the President had to rely. So he opened his campaign on Sept. 28 at Fremont, Nebraska, in the heart of

the farm belt, with an address summarizing just what the New Deal had done for farmers.

It was a telling enumeration which struck a responsive chord in the hearts of farmers with AAA checks in their pockets. The government, he said, had supplied the unifying element essential to success in agriculture, and he added presciently: "That, it seems to me, is the true function of government under our Constitution—to promote the general welfare, not by interfering unduly with individual liberties, but by bringing to the aid of the individual those powers of government which are essential to assure the continuance of the inalienable rights which the Constitution is intended to guarantee." Even Senator Capper, Republican leader in Kansas, was moved to say on the same day that the Democratic farm program was a "godsend to farmers." After that, could farmers believe that AAA was unconstitutional? And suppose that the Supreme Court declares it unconstitutional?

In later addresses on his Western tour President Roosevelt chose his topics with care. At Boulder Dam he had an occasion to expound his "power principles." That great public work, involving the economy of at least seven States, had been started by President Hoover, under an act of Congress, as a Federal enterprise limited mainly to supplying water and electric power at low rates to State and municipal bodies. Reflecting the spirit of a movement long under way, President Roosevelt emphasized the beneficence and utility of such government undertakings and referred once more to his "yardstick" for measuring rates.

At Los Angeles, on Oct. 1, where he was greeted by a tremendous throng, the President laid stress on "social justice," the necessity of caring for the hungry and unfortunate, and called for a united front of all "progressive liberals," despite their tendencies to choose diverse roads to a common goal. In a county which had nearly 500,000 people on public relief rolls of one kind or another, where Senator McAdoo's "regular Democrats" had to make concessions to the followers of Upton Sinclair, the tone of the Presidential appeal displayed more than the customary felicity.

At San Diego came the climax on Oct. 2. In his address on that day President Roosevelt swiftly summed up and defended the principles and measures of his administration. Admitting mistakes and failure to find solution for many problems, he contended that the necessities of the time and of the state of the country now justified the soundness of the general course which the administration had pursued. In spirit and letter he sought to rise above mere partisanship. In closing he referred to the war crisis in Europe and pledged himself and the country to the avoidance of war entanglements. Yet in so doing he declared that the American people could not be indifferent to violations of liberty of conscience, religious freedom and equality before the law "beyond our jurisdiction." While repudiating imperialism and promising to keep America "unentangled and free," the President was mindful of the inner nature of the frightful struggle raging in Europe. After his address the President went aboard the cruiser Houston and witnessed a sham battle of 130 vessels.

On Sept. 29 as President Roosevelt was speeding westward to meet his speaking engagement at Boulder Dam, the Budget Bureau in Washington released the supplementary financial statement promised in the budget

message of last January. In form, figures and contentions it was well timed to meet the growing apprehension in the country over mounting expenditures and debts. The supplementary statement emphasized four points. Federal tax receipts have been going up rapidly, and it is now estimated that receipts for the current fiscal year will be more than $478,000,000 in excess of the amount estimated in the January budget document. Expenditures have been lower than estimated, so that the estimated deficit for 1936 will be cut by $1,200,000,000 in round numbers, assuming a continuance of trends. The deficit for the current year is due entirely to expenditures for relief and recovery. Owing to the improvement in business conditions and revenue receipts, refinancing at lower interest rates, returns to RFC and other Federal agencies on account of capital outlays, gold profits and other developments, President Roosevelt assured the country that no new taxes or permanent increases in tax rates would be necessary to cope with the nation's expenditures, debt charges and amortization.

Only by remote implication did the President indicate the existence of Federal assets offsetting increases in national debt. It seems strange that this feature of Federal finances has received so little attention. To be sure, citizens who stop to read between the lines can see that in Federal loans to States and localities, to industries, railways and other private enterprises, and Federal expenditures for Boulder Dam and other improvements, the Federal Government has created enormous assets over against the debt, even allowing for defaults on its loans, and defeated expectations. But the Government of the United States has never had and does not now have a capital balance sheet giving liabilities and assets.

FINANCE AND GOVERNMENT

In the sphere of Federal administration there was some turnover in high places and new agencies were placed in operation. Joseph P. Kennedy resigned as chairman of the Securities Exchange Commission and was succeeded by James M. Landis, who promised "no change in policy." Franklin C. Hoyt was appointed head of the Federal Alcohol Control Administration in place of Joseph H. Choate, who tendered his resignation in August. On Oct. 1 was formally organized the Social Security Board, composed of John G. Winant of New Hampshire, A. J. Altmeyer of Wisconsin and Vincent Miles of Arkansas. Under the Guffey Coal Act President Roosevelt selected the members of the Bituminous Coal Commission and the Bituminous Coal Labor Board. Thus the "little NRA" for that industry was duly established, in time to assist in heading off a general coal strike.

For the purpose of coordinating the various housing activities fostered by the Federal Government the President set up a clearing committee, perhaps as a preliminary to a permanent body in charge of merging all housing projects and undertakings. By a ruling of the Controller General, the AAA was relieved, for lack of funds, from enforcing the potato control provision imposed upon it by a combination of Republicans and Democrats in the last session of Congress. As AAA had been opposed to this provision from the beginning, the administrative relief also meant intellectual relief. While Donald Richberg, now retired, publicly confessed himself to have been in error about the utility of NIRA, Secretary Ickes reported the spread of price-cutting anarchy in the oil industry,

and Socony-Vacuum paid a reduced dividend.

In compliance with the Neutrality Act, the Munitions Control Board was set up in the State Department. On the basis of its findings, President Roosevelt on Sept. 25 issued a proclamation establishing six categories of arms, ammunition and implements of war, thus laying the groundwork for the registration of manufactures coming within the terms of the act. In enumerating the devices falling within the several categories, the President adhered rather closely to munitions in a strict sense, postponing the consideration of difficult materials which might be deemed munitions under a broad interpretation of the law. Two days later the President announced a pledge to maintain the proportionate strength of the United States Navy, under treaty if possible, but under all circumstances.

HUEY LONG'S LEGACY

Amid the intense preoccupation with business and politics, attention centred for a fleeting moment on the settlement of the late Senator Huey Long's bequest to posterity. Like previous political dictators, from Oliver Cromwell through Napoleon I to Diaz of Mexico, Senator Long left no single successor competent to carry on in his particular style. Thus was illustrated once more the old principle of history that every personality and event is unique. Yet the Long political machine in Louisiana did not dissolve with the death of the Senator, despite bitter contests in the inner circle. At the end of September came reports of an "adjustment." According to forecasts, Governor Oscar K. Allen was to appoint Wade O. Martin, a Long lieutenant, to fill out the Senator's unexpired term at Washington, and Mr. Martin was to select the Rev. Gerald Smith, national organizer of the Share-Our-Wealth Society, as his secretary.

By such an arrangement it was expected that the Rev. Mr. Smith would write speeches for Mr. Martin and use the government frank to send them broadcast over the country. In this way, it was thought, Senator Long's work as a national leader and agitator could be continued, for it was well known that the Rev. Mr. Smith is a writer and speaker of singular and undoubted powers, though handicapped by a lack of capacity for limelight, fisticuffs and money raising.

While the dramatics of the national appeal were left to Mr. Martin and the Rev. Mr. Smith, the Louisiana spoils which fell from Senator Long's hands were apportioned among his former associates of more limited ambitions. General direction remained in the hands of Robert S. Maestri, State Conservation Commissioner. Under his management a composition of local interests in the Long camp was perfected, apparently, early in October. Meanwhile, opponents of Senator Long's system, including elements of the old State machine, drew together in the hope of dissolving the Senator's estate, and recovering control of the Louisiana Government with judicious and abundant aid from the fountain of the best hope—Postmaster General Farley in Washington as distributer of Federal patronage.

Inevitably the death of Senator Long and the dissensions among his successors in interest brought about a country-wide discussion of the outcome for national politics. Although there were good reasons for believing that the influence of Mr. Long had declined since the opening of the year, he still had, at the time of his death, a large following in the Southwest among share-croppers, field hands and the underprivileged generally, and he

had the ears of a larger public. As a dynamic and intrepid foe of President Roosevelt he could have made trouble for him in regions to which the President must look for support in 1936. Republican strategists had counted on this diversion to increase their chances of success. But, with the Senator removed from the political scene and Father Coughlin far less vocal, if not silent, with the La Follettes in Wisconsin awaiting 1940, President Roosevelt could expect a less serious division of forces in the South and West upon which his fortunes depended, especially after the evident defection in the industrial East. So his assurance was fortified; and it was scarcely shaken by the passionate efforts of William Randolph Hearst to rally his readers around the Republican party, with Governor Alfred M. Landon of Kansas as the best prospect for saving the country from "socialism" and "dishonor."

AMERICAN BACKGROUND

In the domain of culture, apart from politics and economics, no unusual events characterized the season unless the publication of highly praised novels be reckoned as such. Frank Kent, Mark Sullivan, Walter Lippmann and General Hugh S. Johnson continued their syndicated articles with their customary zeal and animus. Mr. Kent and Mr. Sullivan, with obvious delight, commented pointedly on the shortcomings of the New Deal, without venturing too far in any constructive direction. Mr. Lippmann, having warned the President that the emergency is over, called for a return of quasi-dictatorial powers to the people, apparently in the expectation of full normalcy soon. While vowing his fidelity to the cause, General Johnson laid about more vigorously than had been his wont; he openly declared the work-relief program a failure and priming the pump a delusion. To all appearances his heart was still in the Blue Eagle, now an almost forgotten bird. Critics in the field of the arts and humane letters kept up the old battle over the well-worn issue: What relation, if any, have arts and letters to the social and economic milieu in which they function? No settlement was reported. After the untimely death of Will Rogers no humorist illuminated the whole scene; indeed, that feat had already transcended the powers of Mr. Rogers himself.

Judging by the publicity, the size of the crowds that gathered around village radios, the special trains and conversation in all kinds of places, the chief cultural inspiration of the month was the prizefight in which the "Battling Black Bomber," Joe Louis, knocked out Max Baer in short order. Gate receipts were estimated at nearly $1,000,000 and outlays for previous and subsequent celebrations at about $4,000,000—a harbinger of normalcy. Taken in connection with State reports on legalized betting, this event showed that "the downtrodden middle classes and proletariat of America" have millions for diversion. At least it could be said that the deficit of the Federal Government was not increased by the necessity of furnishing free gladiatorial combats.

Canada's Five-Party Campaign

By J. BARTLET BREBNER

ON the eve of the Canadian general election of Oct. 14 political observers were thoroughly bewildered by the complexities of the situation. For two years a succession of Liberal victories in the Provincial elections had forecast overwhelming Conservative defeat in the next Dominion contest. Prime Minister Bennett had faced public criticism and such serious dissension in his Cabinet that he had been forced to expel his most popular Minister, H. H. Stevens, only to have him found the rival Reconstruction Party. The Socialists of the Cooperative Commonwealth Federation had shown few signs of winning the electorate. As a result the Liberals had been so confident that their astute leader, W. L. Mackenzie King, restrained them from pronouncements much more explicit than the generalizations of nineteenth century liberalism.

The shocks to this complacency were, in order of effectiveness, as follows: The victory for Social Credit in Alberta at the end of August and its subsequent rapid spread into other Provinces; Mr. Bennett's self-assurance, his shrewd prodding of the Liberals and his sweeping promises to the voters; and a ground swell of hastily organized support for Mr. Stevens's plans to reconstruct Canadian capitalism. These things did not make Mr. King much more communicative, but they disturbed other defenders of the present scheme of things sufficiently to set them considering the chances for a Liberal-Conservative coalition against the three parties of the Left.

The conquest of Alberta by Social Credit and its appeal to distressed men in neighboring Provinces impressed Mr. King and Mr. Stevens so much that both made friendly, if ineffectual, gestures toward the movement. Many C. C. F. members had favored Social Credit before Mr. Aberhart was heard of, but their carefully thought out creed was in grave danger of being eclipsed in the West by the gaudy, if vague, hopes of the new believers in the Alberta evangelist. Mr. Bennett lent Aberhart $2,250,000 from the Dominion Treasury to assist the Province's finances until after the general election and promised Social Credit its chance, but he was in general more outspoken in his doubts of its success than were other leaders.

The Social Credit party overrode the expressed intention of its leader by putting up a candidate in Mr. Bennett's own constituency. They also opposed Mr. King. In fact, because of them the West, up to the beginning of October, had secured more attention from the politicians than had the rest of Canada. There was no possibility of either Social Credit or the C. C. F. winning a majority in the election, but the former particularly had put the Western quarter of the nation's constituencies in grave doubt.

Aberhart had no record to quote, but his $25 a month dividend appealed mightily in regions where money had been very scarce, and the decent, if minor, reputations of his candidates helped him greatly. For the second

time in two months he asked electoral support largely as an act of faith. He told *The New York Times* that he thought 75 per cent of his followers "don't expect any dividend but hope for a just and honest government," and assured a Toronto audience that he had "no intention of rushing into these proposals and afterward finding that they will not work."

Premier Bennett startled his opponents by the vigor of his campaign. Consciously or not, the underlying assumption of his speeches was that Canadians wanted to be governed and governed well, as only he could govern them. The Conservative party seldom shared the spotlight with him, nor was he ever in the least apologetic. He seemed sincerely unconscious both of the inconsistencies of his course since 1932, and of the unquestionable validity of some of his past performances and present promises. His greatest advantage was Mr. King's timidity in grappling with him on any save minor or very general issues. Bennett seemed to sense King's fear of committing himself, for he defended his record with great gusto and bland assurance. His paternalism was a daring gamble on the voters' longing for a leader, and preference for Bennett over others. He went out of his way to be kind to Mr. King and the Liberals so that if necessary the two old parties could form a coalition against the radical malcontents.

As the campaign went on, Mr. Bennett managed to pull one glittering promise after another from his pack. He would reduce unemployment by pensioning all workers at 60. He would tackle the burden of debt by setting up a loan council to arrange for the voluntary reduction of interest on national, railroad and Provincial debt. There would be no more tax-free bonds. He wanted the semi-private Bank of Canada to be given a trial, particularly in regulating and, if necessary, expanding the controlled inflation which began when Canada went off the gold standard. Taxation must progress in the direction already initiated in order to distribute more equitably the national burdens and benefits. The railroad problem and national fuel policy he consigned to the National Economic Council, whose creation was authorized at the last session of Parliament. The urban property owner was promised assistance in refinancing his mortgage, while the farmer was offered fixed minimum prices for other products as well as for wheat, with lower prices for machinery, tractors and cheap cars.

He was bold enough in defending his high tariff policy to cite the Canadian-Japanese trade war as an example, even though Canada last year exported three times as much to Japan as she imported from her. Mr. King seized upon that without shaking Bennett's belief in protecting the Canadian standard of living against Oriental competition. He positively exulted in the reputation he had made since 1930 as an abrupt wielder of the tariff weapon and as a hard bargainer during bilateral adjustments. This raised the question of a treaty with the United States. He referred to the enormous difficulty of paying for goods, capital and interest when the United States would not admit Canadian goods in return. "The United States cannot eat the Canadian cake and have it," he said.

In the West Mr. Bennett had two specific tasks: To meet the resentment over the harsh repression of the marches of men from the labor camps, and to defend his grain policy. He met his radical hecklers by defying and outdoing them in verbal ex-

changes and by refusing any recession from his ideas on sedition. His grain problem was almost completely solved by the effects of world wheat shortage and of war in raising prices well above the minimum set by the Wheat Board. He was sufficiently encouraged to indicate that if the middlemen gave any trouble he would invoke the power to make the board the only legal purchaser of Western grain.

Mr. Stevens's impact on the situation was, like Mr. Aberhart's, important only as increasing the likelihood of a deadlock among five parties. His Reconstruction party managed to get out a handbook and rallied candidates for promising constituencies across the Dominion, but it lacked both the professional organization of the old parties and the enthusiastic solidarity of Social Credit. Yet Stevens himself, with his record of having almost single-handed provoked the Conservative "New Deal" by the Price Spreads Commission which he fathered, undoubtedly appealed to voters who weighed performance against promise.

He had done something to expose and remedy the inequities of the Canadian economic set-up and he pledged himself to do more. His candidates were sincere and well-informed, if not as electrifying as he, and they followed him devotedly in emphasizing the necessity for State regulation of quasi-monopolistic economic enterprise. They were friendly to monetary reform to provide more currency and credit and very critical of the Canadian private banks. They supported State housing as a remedy for unemployment. Because of their improvised organization no one ventured to predict how much power they would wield in the new Parliament.

Even Mr. King's most devoted followers found it hard to be enthusiastic about his canny policy of saying as little as possible while waiting for the voters to "put the rascals out." They had to admit that probably he and his skillful workers in the constituencies were right in expecting victory, but it was an uneasy business to look on quietly at the stew of parties in the West, Mr. Bennett's garland of confident promises and Mr. Stevens's evangelistic appeal to small business men and humanitarian ex-Conservatives. Every day seemed to increase the possibility that the Liberals might not win their expected majority. Old hands recalled the difficult years after 1921 when Mr. King governed on the sufferance of Western Progressives.

The Liberals attacked Bennett's "dictatorship," the tyranny over the individual of such economic controls as the marketing boards, and the arbitrary apparatus of super-tariff charges which had been enforced by orders-in-council. They offered the traditional Liberal platform of democracy, liberty of the subject, low tariffs and as little interference with economic enterprise as possible. They would, however, completely nationalize the Bank of Canada.

In particular, Mr. King struggled hard to avoid being smoked out by Bennett on the tariff question. He hoped to win the election in the many constituencies of protectionist, industrial Quebec and Ontario, which a few months before had been his for the asking. He felt forced, therefore, to explain that he would lower tariffs very gradually. Ontario and Quebec, remembering past high Liberal tariffs, were not greatly worried.

King goaded Bennett for failing to secure a trade treaty from the Roosevelt administration, saying that he himself could secure one within a year of being elected. In general, however, Mr. King's speeches were long and

vague, so that if elected he would have almost a free hand. Some of the younger Liberals in whom so much hope had been reposed were taking part in the campaign, but with the exception of the vivid Ian MacKenzie of British Columbia they were almost as cautious as their leader in approaching the basic problems of Canada.

The C. C. F. spokesmen were frank to acknowledge that they had not succeeded in educating the Western voters thoroughly enough. They had not converted their farm membership to a working compromise with the Marxism of their urban, industrial supporters. Mr. Woodsworth quite correctly lumped Conservatives, Liberals and Reconstructionists together as mere patchers of the existing order when compared with himself as a planner of a "new social order."

The C. C. F. faced a real struggle for political survival, though with the confidence that whatever happened at this election nothing basic would be solved nor could be except along sound Socialist lines. Mr. Woodsworth boiled down his platform to five planks: National social Insurance with guaranteed minimum wages and minimum farm income; the complete socialization of finance; socially useful public works, such as housing, to solve unemployment; amendment of the Constitution to increase Federal powers to cope with national social and economic needs; and resolute maintenance of international peace. He and his followers were sure that Canada must eventually call upon them for a comprehensive reconstruction of society.

TRADE TREATY NEGOTIATIONS

Washington and Ottawa released on Sept. 8 the correspondence on the trade agreement which has been under discussion between the two countries since before President Roosevelt's inauguration. It consisted of a remarkable statement of Canada's case and offer over Minister W. D. Herridge's signature, and a neat refusal of the basic Canadian principle by Secretary Hull. No comment accompanied the documents.

THE TRADE REVIVAL

Canada's economic relapse during June was entirely overcome in July and partial statistics for August indicated a notable expansion in the whole economy. Exports were 28 per cent and imports 14 per cent greater than in August, 1934. While wood products and non-ferrous metals had their influence, probably the principal factor was the rise in wheat prices, and still more the steady expansion in wheat exports to the point in September when they passed those of 1934.

This circumstance focused attention on the new Wheat Board. On Sept. 5 the Prime Minister announced that the Cabinet had approved the board's payment of a minimum of 87½ cents a bushel for No. 1 Northern, Fort William. Subsequently the board released figures for other grains and deliveries which in their adjustment of Vancouver prices to Fort William, and of durum and garnet wheats to Northern, showed that the coming election had influenced the politicians and embarrassed the board. Much of the 200,000,000-bushel carryover is of the special Canadian garnet and Reward varieties, which are disliked by British millers and are too recent an innovation to be generally welcomed elsewhere. The board might well have been in an awkward position in the face of pressure from the farmers, the government and the open market had it not been for the world shortage and the war demand which carried the basic price close to $1 a bushel.

Calm Settles Over Brazil

By HUBERT HERRING

BRAZIL has suffered all the ills incident to the depression years, with some others thrown in for good measure. Politically, she has had a revolution, a mild dictatorship and a new Constitution. Economically, she has depended too heavily upon coffee, a product in which there was and is world overproduction with ruinously low prices; her currency has depreciated in the international exchange market and she has had a series of badly unbalanced budgets. Socially, there has been an increasing tension between racial groups. These ills have all been augmented by Brazil's vast area and by her serious lack of adequate communications.

Reports in recent months justify a happier interpretation of Brazil's affairs. Politically, Brazil is settling down to something like constitutional procedure. The Constitution of 1934, at first widely attacked, is being regarded more favorably. An increasingly stable political situation has been developing in the principal States. No longer are such States as Pernambuco, Bahia, the Federal District, Sao Paulo, Minas Geraes and Rio Grande do Sul ruled by *Interventores,* acting as deputy sheriffs of the Federal Government. Now they have executives of their own, elected in accordance with constitutional provisions.

Economically, the reports for the first half of 1935 are mixed. The figures on coffee exports were not encouraging. Continued low prices and lessened demand brought the milreis value of the coffee exported during the first six months of 1935 down to 985,409,000, the lowest in many years. This meant the export of 6,888,951 bags for the first half of 1935, as against 7,626,417 in the same period of 1934, and 9,590,735 in the same period of 1931. However, the Brazilians are philosophical about the decline of coffee as their chief economic reliance and are looking elsewhere for salvation. Cotton is now the magic word in Brazil. Exports of cotton for the first half of 1935 were 70,751 metric tons, as against 40,137 metric tons in the same period of 1934, and only 864 metric tons in the same period of 1933. These are some of the markers in Brazil's swiftly changing economy. Two years ago coffee constituted 80 per cent of Brazil's total exports, and cotton hardly figured at all. Today, coffee yields a little over half of Brazil's export wealth, and cotton has increased to a point where, in money value, it brings in one-third of the figure for coffee.

Industries are thriving. Brazilians are confident that within ten years they will be making most of the goods they are now importing. This confidence, whether well founded or not, explains the violent opposition in Brazil to the reciprocal trade agreement with the United States which was signed by the American State Department last January. (See CURRENT HISTORY for March, 1935.) This treaty was before the Brazilian Congress in September. It was supported by the agricultural interests which stand to gain under the favored treatment as-

sured coffee, cocoa and other raw materials; it was fought by the newly powerful industrial interests of the South, which demand tariff protection for their products. It was finally approved by the lower house on Sept. 12, but the Brazilian Senate had not yet ratified it on Oct. 1.

The improvement in the economic status of Brazil for the first half of 1935 was entirely in terms of milreis value and in quantity of exports; translated into terms of international exchange there was a sharp loss in that period as against the first half of 1934. The figures of exports in dollar terms were $130,745,000 in 1935 as against $134,967,000 for the same period of 1934. This shortage of foreign exchange was thought in September to threaten a suspension of the partial payments which Brazil has been making on her foreign debts.

Italy's Ethiopian venture had repercussions in Brazil. With the prospect of war, there came a call for Italians to return to Italy for military service. Brazil at first showed an inclination to block this recruiting of its Italian colonists. On Sept. 21, however, a detachment of Italian volunteers sailed from Santos without interference from Brazilian officials. On the same day Italian agents bought 150,000 bags of coffee in Santos, and some connection between the two events is indicated.

ARGENTINE POLITICAL ISSUES

The shots fired in the Argentine Senate on July 23 brought to a head the deep-rooted animosities between the National Democrats, the party in power, and the loose coalition of Radicals, Socialists and Progressive Democrats. Public opinion blamed an inner group of the administration party for the disturbance.

Argentine Radicals, Socialists and Progressive Democrats, in spite of major differences, have one thing in common—a determination to protect constitutional government. Their revolt against the high-handed tactics of the Justo administration gathered force during August and September. They accused President Justo and his aides of riding rough-shod over constitutional guarantees. Their chief grievance was the effort of the administration to force through a measure which would postpone the national elections from November to the second Sunday in March. The reasons for the administration's move were clear. Elections in the Province of Buenos Aires occur also in November, and these are expected to go against the administration. The Liberals predominate in that Province when fair elections are held. The administration wished, therefore, to postpone the general elections in order to allow a breathing spell after the Buenos Aires elections in which to revive its prestige by arranging victories in other Provinces. Moreover, the administration was making desperate attempts to control the Buenos Aires elections.

The bill to postpone the general elections came before the Argentine Congress on Sept. 24. Socialist and Progressive Democratic Deputies, although in the building, refused to enter the Chamber, hoping to prevent there being a quorum. The administration forces ordered their arrest and had them brought in by the police. The necessary quorum was secured and the bill was finally passed by the lower house on Sept. 25. In the Senate, however, the Socialists managed to block the bill.

This episode and the wave of protest from the Argentine press are evidence of Argentina's enthusiasm for constitutional government. The Justo administration is quite unrepresenta-

tive of the temper of Argentina, and signs multiply that its high-handed manipulation of elections, its coercion of the Congress and its attempts to limit the constitutional liberties of the press will meet with effective resistance. Argentina boasts of a press the character and ability of which is unique in South America, and this press is performing yeoman service in the present crisis.

THE CHACO PEACE CONGRESS

The deadlock in the Chaco peace negotiations in Buenos Aires continued during September. The delegations of Bolivia and Paraguay both suffered from the usual disabilities of politicians. Their decisions, demands and concessions were dictated not by the realities of the situation, but by domestic political necessities.

A possible means of settlement appeared in the announcement on Sept. 11 that the two commanding generals of the Chaco conflict might take the negotiations out of the hands of the peace delegations, arrange peace terms between themselves and force these terms upon their respective governments under threat of military revolt. This novel but quite Latin-American arrangement between General Enrique Penaranda del Castillo of Bolivia and General José Felix Estigarribia brought some measure of hope to a situation conceded to be hopeless. Under their plan, the delegations would be ordered to sign any agreement reached by the generals.

The announcement of this plan was quite unofficial, but seemed based upon accurate information. Subsequent events bore out its authenticity. Most of the members of the rival delegations at Buenos Aires were recalled. The two generals were reported to have held at least two conferences during September. Both declared that they would brook no interference by the politicians. It was reported, and seemingly upon good authority, that the generals were much less intransigent than the delegations. Bolivia's demand for a port on the Paraguay River proved less of a stumbling block to the two generals. It was reported that General Penaranda would not insist upon a port provided other compensation, not yet revealed, were offered. This attitude of the Bolivian general was regarded as responsible for considerable ill feeling between him and the Provisional President of Bolivia, Tejeda Sorzano.

Other news was less heartening. Dispatches from Asuncion announced the mobilization of five classes of reserves for the establishment of a peace-time army. Coming hard upon the demobilization of Paraguayan and Bolivian forces, this action of Paraguay appeared to threaten the efforts for peace.

LETICIA PEACE.

The protocol of friendship and cooperation between Colombia and Peru, signed at Rio de Janeiro in May, 1934, was finally ratified by the lower house of the Colombian Congress on Sept. 18. This marks the official end of the Leticia dispute, and the victory of the conciliatory policy of President Alfonso Lopez over his small but active bloc of diehards.

On Sept. 13 Secretary of State Cordell Hull and the Colombian Minister to the United States, Miguel Lopez Pumarejo, signed a reciprocal trade agreement, based upon most-favored-nation treatment. The terms were not published, but included substantial concessions to Colombia on the exportation of its raw materials to the United States and corresponding concessions to the manufacturers of the United States. This treaty must now

be approved by the Colombian Congress, ratified by President Lopez, and approved and proclaimed by President Roosevelt.

ECUADOREAN POLITICS

Antonio Pons assumed the Presidency of Ecuador on Aug. 20. A month later, on Sept. 27, he called in the military chiefs and announced his resignation. These chiefs proceeded to appoint Federico Paez, late Minister of Public Works, as dictator. The first reports from Guayaquil and Quito indicated that Paez was received with more enthusiasm than was accorded Pons. Presumably under orders from the army, President Paez demanded the speedy calling of a constitutional assembly to which should be committed the task of making reforms for the purpose of putting an end to the fitful removal of Presidents by Congress, which has been common practice in recent years. He made it clear that he would then yield his dictatorial power, and that under no circumstances would he be a candidate for the Presidency.

FIRM RULE IN MEXICO

Mexican problems are being firmly handled by President Lazaro Cardenas, whose hold upon the nation seems to be growing definitely stronger. On the important church issue he promulgated a law on Sept. 4 declaring all churches and all buildings used for public worship since May 1, 1917, the property of the nation. This law applies to residences of bishops and priests, church schools, properties of corporations or institutions of any religious character and properties considered as destined for religious purposes. While this legislation technically indicated a tightening of lines in the church-State quarrel, there appeared in practice a marked tendency to ease the enforcement of the church laws throughout Mexico. Reports from Jalisco and other Catholic strongholds during September strengthened the impression that the government, while not retreating from the letter of the law, is disposed to permit wide latitude in its enforcement. As a result, the unrest in clerical circles abated.

In politics Cardenas held a firm grip on the Mexican Congress. The Senators and Deputies voted themselves a bonus of 5,000 pesos (about $1,400) each. This act was vetoed by Cardenas on Sept. 4. On Sept. 12 a minority bloc in Congress started gunplay, in which two were killed and several wounded. This bloc was strongly opposed to Cardenas and their hostility was directed not only at the veto of the bonus but at the President himself. As a result of the incident the minority bloc was expelled from Congress and a rule against carrying arms in Congress was enforced.

The affairs of the National University of Mexico reached a crisis on Sept. 11 when the University Council voted to close the institution for an indefinite period. Its funds were depleted and the student body was torn by economic and political differences. At the same time the council petitioned President Cardenas for larger government support and entire freedom of instruction. The President countered by making it clear that he believed the university was needed as an integral unit of the national socialistic educational system, and that as such it would have larger financial aid, but that it must be brought under the control of the nation. On Sept. 26 the university reopened its door under the presidency of Luis Chico Goerne—a compromise appointment seemingly approved by both Left and Right wings of student opinion.

Britain Debates League Policy

By RALPH THOMPSON

It will be interesting to discover, once the next British general election takes place, what was the effect of the National government's firm stand at Geneva. It may be that when Sir Samuel Hoare on Sept. 11 declared to the League of Nations Assembly that his country would uphold the Covenant with all the means at its command he quite simply and deftly gave the Opposition at home a knockout blow. No more could Liberals and Laborites cry that a Tory-dominated government was playing the old imperialistic game; here was proof that Prime Minister Baldwin's Cabinet was following a humane and unselfish foreign policy, standing by the oppressed, opposing the greedy. The chorus of praise which resounded throughout Britain promised well for the government's electoral success.

Even before Sir Samuel made his speech, this praise began to accumulate. When the Trades Union Congress departed from Margate and its annual meeting early in September, it had approved by a vote of 2,962,000 to 177,000 the policy of employing sanctions against Italy. Meeting at Brighton on Oct. 2 the Labor Party Congress likewise approved, by an even larger majority. David Lloyd George, speaking at Plymouth on Sept. 12, commented favorably upon the "outspoken, straightforward and adroit" stand the National government had taken. The annual conference of the Conservative party, held at Bournemouth on Oct. 3 and 4, went on record as supporting the government's ambition "to carry out with loyalty and effect British international obligations," and at a dinner in honor of Sir Herbert Samuel, held on Oct. 3, the Liberal party also registered its approval.

There were dissenting voices, of course, from isolationists of the Rothermere-Beaverbrook school, and in supporting the general position of the government Conservatives did not fail to add that defense forces should be immediately and enormously increased —a point of view at variance with that of many others. So strongly were sanctions opposed by certain Laborites that the party suffered its most serious loss in years when three of its leaders resigned their posts in protest.

Sir Stafford Cripps, one of the most advanced of Labor members, announced on Sept. 18 that he had given up his place on the party executive. "How are the imperialistic people who seized the Transvaal in 1900 to reply to Mussolini?" he asked. "Britain is using the League to stabilize territorial adjustments brought about by the criminal treaty of Versailles." About the same time Lord Ponsonby resigned his post as Labor leader in the House of Lords because he refused to approve Britain's promises to restrain an aggressor nation when it was uncertain that the other members of the League would lend their aid. George Lansbury, party leader in the House of Commons, also offered to resign on the ground that he believed that war under any and all circum-

stances was wrong, and on Oct. 8 gave up his post.

This series of defections seemed to indicate that Herbert Morrison, leader of the London County Council and frequently mentioned as the next Labor Prime Minister, had consolidated his position at the head of a rather timorous party. Yet even he declared on Sept. 18 that Labor had given no blank check to the government; its whole purpose had been to uphold the League; it was "not interested in the struggles of rival imperialists and would not be drawn into them." The general election will show whether the electorate believes there is any difference between upholding the League and upholding British imperialism.

RESTLESS INDIA

With the Government of India Act signed, sealed and placed upon the statute book early in August, the British Raj had next to face the task of putting it into operation. No one could be quite sure when that would begin; some said not before 1937. Certain problems left unsettled by the Act itself had still to be considered; for example, with India and Burma about to be separated, a trade and immigration agreement between the two had to be drafted. This was finally drawn up and published as a White Paper on Aug. 29. Shortly afterward Sir Otto Niemeyer of the Bank of England was appointed to begin the special financial inquiry which must be made before Provincial autonomy can be introduced, and a committee of two Englishmen and one Indian was named to recommend procedure for the establishment of a new Government of India Secretariat.

There remained to plague the British, however, the question of whether Indian Nationalists would consent to enter the new Provincial Legislatures. Ample evidence that hostile Nationalist sentiment had not been stilled was furnished when, during the first days of the Legislative Assembly, convened at Simla on Sept. 2, Moslem Independents joined hands with the main Opposition, the Congress party and the Congress Nationalists, to assert their dislike of official methods. The particular occasion was the introduction of a bill to extend certain provisions of the Criminal Law (Amendment) Act of 1932, by which the government would be confirmed in its powers to deal with subversive activities and to control the press.

In defending its position the government pointed out that Bengal terrorism remained a living movement, that communal tension was everywhere acute and that communism was a growing force. But after six days' debate the bill was rejected by a vote of 71 to 61 on the ground that it was contrary to all theories of liberty and freedom of the press. Even when Lord Willingdon, the Viceroy, sent a special message recommending that the bill be passed, the Assembly refused to yield, and the government had to call upon the Viceroy to exercise his powers of certification.

Another instance of Nationalist antagonism was furnished on Sept. 19, when a motion sponsored by the Congress party to investigate Quetta relief work was defeated in the Assembly by only four votes. Ever since the great earthquake at Quetta, Indian Nationalists have complained that the authorities sealed the ruined city far too soon, without an exhaustive search for victims who might still be alive, and that many of those who lost all their belongings were given insufficient opportunity to recover at least a part. The government replied that for reasons of public health the ruins had

had to be sealed quickly and denied the charge that insufficient care had been exercised in searching for survivors and that British property-owners had been granted greater salvage privileges than Indian.

Nationalist feelings were somewhat appeased by the announcement on Sept. 10 that the government had appointed a special tariff board to review the duties on British textiles. The present rates expire on Dec. 31, and it is hoped to fix a new level which will afford adequate protection to the Indian industry. Further satisfaction was felt because of the announcement early in September of a grant to the Provincial Governments of over $5,000,000 to improve the condition of the Indian peasantry. Ever since the establishment of an Imperial Council of Agricultural Research in 1929 Indian cultivators have profited from governmental advice on crop varieties and care of the fields, and the new grant should further improve rural living conditions, to which Mahatma Gandhi, since his retirement from politics, has devoted all his efforts.

Also conciliatory to Nationalist feeling was the fact that on Sept. 3 Pandit Jawaharlal Nehru, Congress party leader, was released from prison so that he might join his wife, who was seriously ill in Germany. Pandit Nehru had been sentenced for sedition early in 1934, and his term was not due to expire until February, 1936.

AUSTRALASIAN BUDGETS

When the Australian Parliament assembled on Sept. 23, after a recess of several months, it was offered budget proposals for the fiscal year 1935-36. Results for 1934-35 showed a surplus of about $3,000,000; unemployment had fallen from about 30 per cent in the second quarter of 1932 to 17.8 per cent in the second quarter of 1935; the balance of trade had remained favorable even though it was only half as large as that for the preceding twelve months. The Treasury therefore proposed a reduction from 6 to 5 per cent of the special property income tax, a lower excise on tobacco and further restorations in salaries of public servants, including Ministers and members of Parliament.

New Zealand's new budget, introduced on Sept. 17, had been of the same general nature. Public service pay cuts were partially restored; old-age pension cuts were fully restored; the unemployment tax was reduced. Over $20,000,000 was allocated for an expansion of the public works program. With a general election due at the end of the year, Prime Minister Coates's government was in a favorable position.

NAZIS IN SOUTHWEST AFRICA

Last November the Legislative Assembly of Southwest Africa voted that the mandated territory, formerly a German possession, should become the fifth Province of the Union of South Africa. Heeding this appeal, the Pretoria government recently set up a commission to study the question. One of the first witnesses before the commission was the Southwest African Attorney General. On Sept. 3 he startled the hearing with a dossier showing that the local Nazi party had been in close contact with officials in Germany and that a well-defined movement to change the mandate had been under way. At subsequent sessions prominent Southwest African business men testified that, despite the official ban on the Nazi movement, Jewish residents of the territory continued to be subject to persecution and boycott. The commission is still sitting, and its report will not be published for some time.

Discontented France

By FRANCIS BROWN

FRENCH statesmen in the early Autumn, though greatly concerned with the prevention of another European war, were hardly less perturbed by the trend of affairs at home. Despite Premier Laval's wholesale attempt to relieve the financial and economic distress, his measures seemed to be meeting with little success. The discontent and unrest that were rife in many parts of the country boded ill for the Ministry when Parliament reassembled and left the whole policy of deflation under continuous fire.

The basis of French difficulties, of course, is the economic depression which persists with no sign of lifting. For instance, though there are other factors present, the most obvious cause for the succession of government deficits is the steady fall in revenue, a natural accompaniment of falling business. Revenues for the first eight months of 1935 have been 2,969,000,000 francs below expectations; indirect taxes in August were 22 per cent lower than budget estimates. It is this by no means novel situation that led to the economy decrees promulgated by the Laval Cabinet in July.

As a further attempt to live within the national income, the Laval Ministry has approved a budget for 1936 which will reduce expenditures 20 per cent below those of 1935, and balance income and outgo. Government expenditures, which it is estimated will approximate 48,000,000,000 francs in 1935, will not exceed 40,000,000,000 francs in 1936. Extraordinary expenditures have in the past helped to throw the budget out of balance, but according to plans these will be listed in the 1936 budget as "special funds" and will be covered by Treasury loans.

When the proposed budget comes before Parliament for debate all the ill-feeling which the government's deflationary policy has caused is expected to break loose at the same time that its economic results are laid bare. Approval of the budget would automatically ratify the decree laws, something the opposition must find it hard to do.

While a brave show has been made in government circles to convince the public that the Laval Cabinet's policies have succeeded, the evidence is not conclusive. Money rates are lower, stock quotations have risen. The gap between wholesale and retail prices has been reduced, and the price of wheat has improved. On the other hand, business activity has declined, with a consequent spread of unemployment. Foreign trade, showing no change for the better, continues at the low point for the post-war years.

Any improvement in agricultural prices is almost certain to raise the cost of living. As the government has sought to cut this cost as a necessary part of its deflationary policy, an increase, whether of meat or bread prices, reflects upon the Cabinet. Yet the farmers, insisting upon a better return for their crops, have threatened "serious measures" unless

conditions change. Early in September a farmers' organization pointed out that before the war the farmer received a net price of 130 francs for a quintal of wheat; in 1931 this reached 167 francs, but at the end of the present Summer it had dropped to 73 francs a quintal, which at par is equivalent to almost $1.71 a bushel. Similar figures were cited for other grains.

Though wheat prices are no longer at their lowest level, they have not increased enough to affect farm purchasing power. As a result the Peasant Front, which feeds on agrarian discontent, has organized a tax-payment strike that may have serious consequences and has urged farmers to purchase as little as possible, and then only from merchants who have agreed to support their demand for better returns on agricultural produce.

A Peasant Front meeting at Blois on Sept. 22 was attended by 4,000 farmers, who adopted resolutions for higher prices, a moratorium on farm debts, State control of trusts, banks, raw materials and war industries, and governmental reform. As the farmers left the meeting they encountered a group of Communists. A free-for-all that followed was put down only by calling out the Mobile Guards.

Unrest among farmers has spread to Algeria. Under the motto, "Action," the movement has prevented foreclosures and has gained considerable political support. Disorder has not been lacking, and because of it many local officials have either resigned or been transferred to new posts. The recent appointment of a new Governor General would, it was hoped in official circles, curb this agitation.

The farmers' position is easy to understand, however unreasonable it may seem to the rest of the country. If wholesale prices rise, then either retail prices must rise or the merchant must be squeezed between producer and consumer. Any boost in wholesale prices, however, affects the production cost of goods which France sells abroad, thus further weakening the French position in the world market. If increased costs are passed on to the domestic consumer, protest is certain, especially since the wages of public servants and pensioners have been recently cut by government decree. The Ministry had hoped that retail prices could be lowered, but this has been difficult and may be impossible with a rising wholesale price level. All this helps to explain why the parliamentary session may be lively.

Farmers in their Peasant Front meetings have left no question of how they feel about present conditions. But they have not been alone. Various organizations of public servants, pensioners and small investors have held one meeting after another to protest against the government's decrees which reduced the income of their members. The National Council of Railway Workers, for example, denounced on Sept. 12 the whole decree program as bluff. The National Federation of Teachers called the decrees "incoherent and catastrophic," and asserted that deflation had been "imposed by the Bank of France and the Comité des Forges." As a result of this outspokenness, the Ministry of Education broke off relations with the teachers' union.

Further evidence of social uncertainty was supplied on Sept. 22 when the Croix de Feu celebrated the anniversary of the Battle of the Marne by surprise rallies near Paris and at widely separated parts of France. At

Lizy-sur-Ourcq, some thirty miles outside Paris, about 25,000 members of the Croix de Feu were addressed by their leader, Colonel François de la Rocque. In some instances Communists attacked Croix de Feu caravans. Disorders also occurred on Oct. 6, when several thousand members of the Croix de Feu met in a small village near Paris. Peasants living in the village attacked the Croix de Feu members, forcing them to leave under police protection.

Before Parliament meets elections are to take place for one-third of the Senate. The preliminary manoeuvres have tended to loose whatever political passions were held in check. Meanwhile, the Popular Front, which includes not only Socialists and Communists but left-wing Radical Socialists, has grown so strong that some observers believed it could, if it desired, overthrow the government. Even if the Popular Front should not hold together in the face of a Cabinet crisis, the government might still be overthrown if Edouard Daladier's followers dominate the next Radical Socialist Congress. A victory for Daladier would mean that Edouard Herriot's moderate policy no longer commanded the party's allegiance, and this in turn would probably force Herriot out of the Ministry and so destroy the coalition character of the Laval Cabinet.

BELGIAN BUSINESS CONDITIONS

The business recovery stimulated in Belgium by devaluation of the currency has apparently not run its course. Statistics published at the end of September showed definite improvement in many quarters. Department store sales in July, for example, were 23 per cent above those for the same month of 1934. Twice as many building permits were issued in July, 1935, as in July, 1934. Railroad merchandise traffic in August was 8 per cent higher than a year before. Electricity consumption has risen; automobile sales are greater; savings deposits have increased. Moreover, the tourist business has been good, in part because of the exposition at Brussels.

Reports such as these tend to bear out the contention that devaluation was a wise policy. But there are some clouds on the horizon. Foreign trade, for example, showed an obstinate tendency to decline, and in July exports, when valued in gold francs, were seen to be 6 per cent lower than in the same month of 1934. In a country as dependent upon export trade as Belgium this state of affairs is serious. Hence the persistent rumors that there might be a further devaluation of the belga.

A rise in the cost of living at the same time threatened to upset further the accomplishments of the van Zeeland Cabinet. At the end of September it was estimated that prices were about 8 per cent higher than before devaluation. As a result, all wages and salaries of civil servants were raised 5 per cent as from Oct. 1. The textile industry at Verviers granted a 5 per cent wage increase, to begin on Oct. 15, and the engineering industry was expected to follow suit. British critics believed that if this trend were not checked the results of depreciation would be wiped out, for higher prices would certainly lead to demands for higher wages, which in turn would lift production costs to a point at which whatever advantages Belgium has in the world market would be destroyed.

The Nazi Rally at Nuremberg

By SIDNEY B. FAY

THE great political event of the year in Adolf Hitler's Germany was the National Socialist Party Congress at Nuremberg. Meeting during the second week of September in the former Free City of the Empire, the seventh annual congress was notable for the large attendance and the enthusiasm of the party leaders and members. Besides the thousands who marched on foot or who hurried by auto or airplane to Nuremberg, some 400,000 men, women and youth took more than 400 special trains to participate in the meeting — Brown Shirts, Black Shirts, Regular Army, Hitler Youth, Labor Army workers with spades and members of other organizations. Preparations for weeks in advance and wonderfully efficient commissary management afforded an impressive spectacle of the German capacity for well-ordered mass movement.

The congress has come to be the convenient platform from which the leaders of all the various party organizations review in glowing terms their accomplishments of the past year and set forth their plans for the future. Hitler himself gave a dozen addresses. No brief summary could indicate the vast and varied activities detailed in all the speeches. One of the favorite themes was the freedom and self-confidence which Germany now enjoys as a result of the steps which she is taking for the building of her defense forces. This year's meeting, in fact, was officially designated as the "Triumph of Freedom," just as last year's congress was the "Triumph of the Will."

On Sunday evening, Sept. 15, the Reichstag was hastily summoned for a meeting in the old Nuremberg Senate Chamber, where it was asked to approve new legislation concerning the flag of the Reich and the status of the Jews. The "flag question" has been one of the most embittered subjects of dispute ever since the close of the World War. The Weimar Republic adopted as the official flag the black-red-gold of the liberal students of 1815 and of the revolutionary patriots of 1848. But the Weimar Republic also retained for some purposes the black-white-red flag devised by Bismarck for the victorious empire of 1871. From 1919 to 1933 the conflict between Republicans and anti-Republicans, between Social Democrats, Catholic Centrists, Liberals and Jews on the one hand, and Conservatives, Nationalists and Monarchists on the other, was symbolized by the conflict between the adherents of black-red-gold and black-white-red.

When Hitler rose to power in 1933 the black-red-gold, of course, was done away with. It was the "flag of shame" which had too long disgraced Germany. It was, as Goering said at the Nuremberg Reichstag meeting, an abomination representing the threefold International—the Bolshevist red, which had destroyed Germany in 1918; the cowardly yellow, under which Germany had been deprived of power and usuriously impoverished; and the black, symbolic

of the clericals who had shamefully gone hand-in-hand with the radicals. Therefore, when Hitler assumed power, it was natural that he should adopt as the national flag the emblem under which his party had fought its way to control. So the swastika waved side by side with the old black-white-red, which had never disappeared.

The new law provides that the "Reich colors" are to be black-white-red; that is, the old Bismarckian colors are to be retained to a certain extent for decorative purposes. But the official Reich and national flag is to be henceforth the swastika. It purposely embodies the three colors, as Hitler long ago explained in his autobiography: The red field for the social views of the Nazi movement, the white circle for the idea of nationalism, and the black hooked-cross for the mission of the battle for the victory of the Aryan man, and with him the victory of creative work which itself ever has been and ever will be anti-Semitic.

Other laws passed by the Reichstag at Nuremberg sought to settle definitely the problem of the Jews in Germany by giving them a kind of separate and inferior minority status. A law defining citizenship stated that henceforth all persons under the protection of the Reich and owing allegiance to it are to be known as "subjects of the Reich." But only those are to be "Reich citizens" who are of German blood (or of blood akin to that of Germans) and who are ready and fit to serve the German folk and Reich. Only "Reich citizens" possess full political rights, such as serving in the army and holding political office. In other words, Jews are relegated to the position of a legal minority group.

A second "Law for the Protection of German Blood and German Honor" forbids marriages between Jews and Aryan "Reich citizens." Marriages in defiance of this provision, even if made abroad to evade it, are null and void. Extra-marital intercourse between Jews and Aryan Germans is likewise forbidden. Persons infringing either of these prohibitions are threatened with a penitentiary sentence. Furthermore, Jews are forbidden to hoist the national flag or to display the national colors, but they may display their own colors and enjoy the protection of the State in so doing. Finally, Jews are forbidden to employ as house servants German Aryan girls and women less than 45 years of age. The official German Press Bureau stated that in all these laws the word "Jew" is to be interpreted as meaning "full Jew," that is, where both parents are of the Jewish race.

In some respects separate Jewish schools are not wholly unwelcome to the Jews. Many German Zionists have long desired Jewish schools as a means of keeping their children within the faith and traditions of their fathers and in recent years private Jewish schools have been established with this aim. On the other hand, the fact is resented that race and not religion is to be the determining factor, for there is no desire to have baptized Jews in these separate schools. Many Jews also regret the loss of the opportunity for their children to make school friendships, as in the past, with the sons and daughters of the rest of the population. Furthermore, they fear that the educational funds and facilities granted to the Jewish schools by the State will hardly be kept up to the standard of the rest of the schools.

The Nazi press and the speakers at Nuremberg welcomed this anti-Semitic legislation as marking a long step

toward settling the Jewish problem and toward removing German Aryans from what is regarded as the poisonous and disrupting Semitic influence. They wait expectantly to see whether the rest of the world will not soon follow the German example in dealing with the Jewish problem.

There is inconsistency and lack of clarity in the legislation for the Jews, even granting the Nazi view about "the racial conception of history." Most of the legislation of the past two years has defined as a Jew one who is at least "quarter Jew" (that is, who is "non-Aryan," having at least one Jewish grandparent); the school law applies to "half Jews"; while the new laws in regard to citizenship and mixed marriages are said to affect only "full Jews."

Nor is the Nazi analogy between the Jewish minority in Germany and the German minorities in other lands quite to the point. The latter in many cases are under the protection and guarantee, in theory at least, of the League of Nations, but the Jewish minority in Germany has no such recourse.

There is a constant tendency in Germany, furthermore, to restrict the economic opportunity of the Jews so that it is difficult to see how many of them are to secure a livelihood within their closed group. A recent law, for instance, has ordered all Jews who deal in antiques to wind up their business. Jewish newspapers, by order of Dr. Goebbels, are not to be allowed to be displayed or sold on street stands and railway stalls after Nov. 1. A recent Nazi decision prevents Nazi party lawyers from defending Jews in cases against Aryan Germans. And there is all the legislation of the past two years which cuts down the opportunities for Jewish doctors, lawyers, artists, editors and so forth.

NAZI CHURCH RULE

The German Government on Sept. 28 issued a decree which placed the Protestant Church under State control. This appeared to be a direct reply to assertions of independence by the Prussian Confessional Synod and to its refusal to accept any compromise. The move did not come as a surprise, for the synod had been warned by the Minister of Church Affairs, Hans Kerrl, that opposition to his policies would lead to "drastic action."

The synod met on Sept. 23, but was prevented from debating any fundamental subject by the repeated interference of Minister Kerrl. Two days later the government announced that it would abandon Reich Bishop Ludwig Mueller and his Nazi Christian group, appoint a new church directorate and summon a national synod. But the church leaders would not consider State supremacy, and at their closing session on Sept. 27 adopted resolutions denouncing interference with the independence of the Protestant Church and the government's policy toward Christians of Jewish ancestry.

Following this bold action, the decree was issued empowering the Minister of Church Affairs to publish "decrees possessing statutory legality for the purpose of reconstituting orderly conditions in the German Evangelical Church." It had received Hitler's approval on Sept. 24. This move against church autonomy left the members of the synod faced with the dilemma of breaking the law or sacrificing their religious principles.

GERMAN ECONOMIC OUTLOOK

Germany has enjoyed an unusually good harvest, confirming favorable

forecasts and making it possible to reduce imports of foreign foodstuffs during the coming year and to decrease the pressure on foreign exchange. Nevertheless, Berlin experienced a food shortage at the end of September, when housewives found it almost impossible to purchase meats, fruits or fats. Pork and butter were especially hard to obtain. To ease the situation the Reich Institute for Dairy Products, Oils, and Fats on Oct. 1 released some of its reserve supplies.

The sudden food shortage called attention again to the German economic situation. In particular it emphasized the changes that have come over business since the Nazis established their system. Trading on the security exchanges, for example, has dwindled away and some houses have closed. Several provincial exchanges have been suppressed by the government in order to concentrate trading on the Berlin Boerse, but even in Berlin there is little activity.

German exports for August amounted to 368,000,000 marks (about $128,000,000), a higher figure than for any month since February, 1934. The increase was largely in textiles, furs and chemicals. Imports, on the other hand, were reduced to 318,000,000 marks, the lowest total for a year and a half. Decreased importations of potatoes, coffee, tropical fruits and other foodstuffs more than offset increases in cotton and vegetable fats. The excess of exports over imports, the largest favorable balance since February, 1934, seemed to justify Dr. Schacht's policy of restricting imports by curtailing the amount of foreign exchange available for importers and by stimulating exports through bounties paid by levies upon producers for the home market.

The gold reserve in the Reichsbank has shown a tendency to increase. On Sept. 23 it amounted to 94,742,000 marks (about $38,000,000), which afforded a coverage of 2.67 for the notes in circulation. This contrasts with the customary 40 per cent coverage in most industrial countries. An easy money market made possible oversubscription of the 500,000,000-mark issue of ten-year Treasury notes for unemployment and rearmament.

Unemployment was further reduced in August by 40,000, bringing the total of unemployed to less than 1,750,000, as compared with 6,000,000 in January, 1933. In August, 1935, there were nearly 17,000,000 at work—over 5,000,000 more than when Hitler came to power in 1933.

The United States announced on Sept. 16 that, beginning Oct. 15, it would no longer extend to Germany the tariff reductions granted to other countries through reciprocal trade agreements. Berlin had some months earlier denounced the German-American commercial treaty of 1923. Washington's move meant that Germany will lose the benefit of the most-favored-nation treatment which she has enjoyed under the treaty of 1923, and which gave her as much as a 50 per cent reduction in the tariff on many classes of goods. Efforts to negotiate another treaty were unavailing because the United States insisted that Americans who are owed money on German foreign obligations be given the same treatment as other foreign creditors who benefit from Germany's various clearing-house agreements with European governments. Thus the action of the United States is to a certain extent a retaliation for Germany's method of dealing with her American creditors.

DUTCH FINANCES

Queen Wilhelmina opened the Netherlands Parliament on Sept. 17 with

an address from the throne which was somewhat longer than usual. For the most part the Queen confined her attention to the country's economic condition, which is admittedly not of the best. Devaluation of the guilder was opposed, at the same time that it was admitted that a fall in public revenues would require increased taxation. Public economies, adequate relief for the distressed and a public works program were promised.

The 1936 budget, sent to Parliament the following day, carried expenditures of 711,000,000 guilders and showed a deficit of 109,000,000 guilders. (At par the guilder is worth 68 cents.) Because of reductions in certain excise taxes the deficit is expected to reach 119,000,000 guilders, which will be met by economies and increased taxation. Cuts in unemployment relief are expected to reduce the deficit by approximately 13,000,000 guilders.

Although the Colijn Cabinet has done all in its power to stave off devaluation, many observers would not be surprised if the Netherlands left the gold standard. In foreign exchange the guilder has been weak for some time, and a flight of capital has been in progress. On Sept. 16 the Bank of the Netherlands raised the rediscount rate to 6 per cent in an endeavor to check the steady outflow of gold.

Economic conditions in the colonies, with the exception of Curaçao, have caused a good deal of anxiety. Financial circles have feared that an Italo-Ethiopian war might seriously affect the world trade of the Netherlands and possibly interrupt commercial relations through the Suez Canal with the Netherlands East Indies.

A SWISS REFERENDUM

The Swiss people on Sept. 8 by a vote of 501,000 to 194,678 decisively rejected a proposal for total revision of the Federal Constitution. After long agitation as to whether the vote should be on complete or partial revision, the more active and extreme elements forced a referendum on "total revision."

The proponents of revision insisted that the Constitution of 1848, which was considerably changed in 1874 and slightly modified on later occasions, was no longer suited to present-day economic and political conditions. They wanted in particular to strengthen the powers of the central government. A change was favored by various groups, ranging from the young liberals to the Catholic conservatives. The latter, however, alone proposed a definite program—a corporative State similar to that in Austria. The overwhelming defeat of the proposed revision was due in part to the division among its advocates, and in part to the conservatism of the essentially democratic Swiss who feared that "total revision" might be the Trojan horse which would bring fascism or national socialism into the country.

The Swiss Minister of Finance stated at St. Gall on Sept. 9 that the deficit in the Federal budget for the current year would reach 60,000,000 francs. (The Swiss franc at par is worth 32.67 cents.) He promised that there would be no tampering with the currency, although warning the people that a reduction of government subsidies and salaries would be necessary.

Agrarian Strength in Spain

By WILLIAM E. LINGELBACH

SPAIN has experienced another Ministerial crisis. On Sept. 20 Prime Minister Lerroux and his coalition Cabinet resigned after having been in office since April 3. The issue was forced by the Agrarians, who had been dissatisfied for some time with the Premier's policies, objecting in particular to the consolidation of three Cabinet posts into one, and to the transfer of the public service works of Catalonia to the central government at Madrid.

Martinez de Velasco, the Agrarian leader, refused further cooperation with the Cabinet, although he agreed to support the Ministry in the Cortes since none of the parties wants a dissolution of Parliament at this time. Instead of inviting Lerroux to form another Ministry, President Zamora called upon Alba Santiago. After a day's fruitless negotiations he found it impossible to secure the necessary cooperation. The President thereupon turned to Joaquin Chapaprieta, who was more successful. On Sept. 24 he announced the members of his newly formed Cabinet.

Gil Robles, the leader of Catholic Popular Action, was continued in the War Department, and Martinez de Velasco of the Agrarian group in the Department of Agriculture, Commerce and Industry, while ex-Premier Lerroux took over the Foreign Office. President Zamora was particularly anxious that Lerroux should carry on as Foreign Minister because of the ominous war clouds over the Mediterranean. On the other hand, his desire to have all shades of opinion represented in a sort of emergency Cabinet during the international crisis could not be satisfied because the Socialists and their friends refused all cooperation with the conservatives, urging the immediate dissolution of Parliament and new elections.

Judging by the personnel of the new Cabinet no immediate or radical departure in policy from that pursued by Premier Lerroux was likely. With an eye to the international situation a neutrality decree was issued and Spain's veteran representative at Geneva, Salvador de Madariaga, was instructed to support to the utmost the principles of the Covenant and the solidarity of League action. At home steps were taken to strengthen the national defense as much as possible. These applied particularly to the Balearic Islands,

Among the policies of the government that have excited most criticism is the land legislation which, although it radically modifies the law adopted after long debate by the first Cortes, was railroaded through the present Parliament in a few days. It provides for peasant proprietorship, but with a guarantee of compensation for the land owners. They will be paid from a sinking fund and are assured in addition a 4 per cent interest rate until final settlement is made. Government appropriations are to furnish the necessary funds, though the sum appropriated thus far (50,000 pesetas annually) is so inadequate that the

prospects for an active transfer of land under the act in the near future are not bright.

About 100 grandees with aggregate holdings of approximately 1,400,000 acres are now relieved from all threat of expropriation. Indeed, the conditions of purchase are so favorable to the proprietors that, according to one member of the Cortes, "the land owners will line up in queues to have their lands expropriated." No indemnity is paid for what are known as *senorias jurisdiccionales*, that is, lands given to the people by former Kings but with certain rights of overlordship conceded to feudal lords who later came to be regarded as the owners. The Institute for Agrarian Reform has been set up to administer the transfer. Any peasant having worked the land for ten years can ask to have it secured for him at the government purchase price.

Early in the month the government carried through a successful refunding of part of the national debt, 305,000,000 pesetas ($41,693,000) being converted into 4 per cent bonds. Demands for payment in gold or foreign currency were very slight, amounting to only about $3,500,000, chiefly from foreign holders. The percentage of Spanish bondholders who asked for a liquidation of their holdings was insignificant. Encouraged by the success of the conversion of 6 per cent bonds, the government next undertook to refund the 5 per cent amortizable debt of $9,000,000 into 4 per cent securities. This too was measurably successful.

Under the leadership of the popular Count Romanones, the Liberal Monarchists of Spain have succeeded in bringing together their followers in a new political organization—the Liberal Monarchist Democratic party. Many Monarchists have broken entirely with the group of reactionaries who wish to bring about a return to the absolute monarchy of earlier days. Nor will they cooperate with Calvo Sotel's group in demanding a Fascist dictatorship under former King Alfonso.

Extensive properties in Barcelona which were confiscated under the previous Cortes as belonging to the Jesuits have been restored by the courts to their owners because it was proved that they were not owned by the Order, but by a private corporation which rented them to Jesuits and others alike. The war on beggars in Barcelona and Madrid has been eminently successful, even Barcelona being now almost entirely rid of them. Driven from the city, they scattered over the countryside, arousing many complaints, with the result that a decree was issued for their suppression in the four Provinces of Catalonia.

The extensive smuggling of tobacco, which has been known to exist among the islands for a long time, has at last been traced to its principal source. It was found that Don José Feliu, a former civil Governor of the islands and the principal delegate for the Spanish Tobacco Monopoly, and Don Magin Marqués, an influential and wealthy business man, were deeply implicated. Both men were arrested with seven other persons. According to the press, the smugglers bought large cargoes of American tobacco and cigarettes at low prices, arranging for their capture by the agents of the government monopoly. They then obtained as a reward the retail prices paid by the government to its agents for the contraband tobacco they seized. The gang was thus not only assured of a purchaser but of sales at prices more profitable than they could obtain in the open market.

Bulgaria Nips a Plot

By FREDERIC A. OGG

MARTIAL law was declared throughout Bulgaria on Oct. 2 following the discovery of an alleged conspiracy to overthrow the monarchy and set up a republic. While no disorders were reported, numerous arrests were made and the celebration of the Bulgarian national holiday, except for a service in the Sofia Cathedral, was postponed.

For several days before the proclamation of martial law there had been rumors of impending political change. On Sept. 29 twenty or more Deputies belonging to former opposition parties were taken into custody because it was believed they were plotting against the government. In army circles, so it was said, were fears that King Boris planned to restore parliamentary rule. Rumors of all sorts filled the capital, feeding on the general economic distress and discontent with the government's failure to improve conditions.

Although the government claimed that it had nipped a plot which went so far as to include assassination of the King, observers felt that official reports were exaggerated. What was known was that Colonel Damian Veltchev, an advocate of close cooperation between Bulgaria and Yugoslavia, had been seized as the leader of the plot and that former Premier Kimon Gueorguiev along with more than 250 others had been arrested. Premier Toschev told the nation in a radio broadcast on Oct. 3 that the government's speedy action had averted civil war. Further details of the alleged plot were not disclosed. That it might have direct connection with Bulgarian foreign relations was not impossible, for King Boris and his Cabinet have followed a pro-Italian policy, while the men arrested were pro-Yugoslav and pro-French.

Bulgaria, in any event, seems to be a hotbed of unrest. More than eighty Macedonian Communists were arrested at Petritch and Sofia on Sept. 13 on charges of conspiring to foment an uprising and establish a "soviet republic." Nearly all the accused were members of a revolutionary council which was said to be receiving orders from a central organization in Vienna directed by a well-known Communist.

POLISH ELECTION RESULTS

The results of the elections for the Polish Sejm held on Sept. 8 bore out all predictions. In this instance prophecy amounted almost to knowledge, because under the new "made-in-Poland" electoral system adopted in June the bloc supporting the Slawek government could not possibly lose. The only question was as to how decisive its victory would be.

A qualified electorate of 16,282,347 cast a total of 7,575,681 ballots; that is, 46.5 per cent of the electorate voted, as compared with 74.8 per cent at the election of 1930. Of the total of 208 Deputies chosen, 190 belonged to the government bloc, as compared with 247 out of a total of 444 in 1930. Of the 208, including 2 women, there were 184 Poles, 19 Ukrainians, 4 Jews and 1 Russian.

The reasons for the government's overwhelming triumph are not diffi-

cult to discover. First, the 104 district "conventions" in which the candidates were selected, while made up ostensibly on a broadly representative basis, were dominated by the judges who presided and the "general election commissioners" who "coordinated" the arrangements. These officials were almost invariably "government" men. It was they who usually picked the candidates—four in each district—and determined the order in which their names should be placed on the ballots.

Second, as the figures show, the election was boycotted by a majority of the voters. The official explanation, as voiced in the *Gazeta Polska* and other government organs, is that the nation generally regards the existing régime as stabilized and is content with it, abstention from the polls being merely an indication of lack of opposition. The speciousness of this argument is shown by various happenings and circumstances, but chiefly by the deliberate and concerted abstention of all the parties—notably the Conservatives and Clerical National Democrats, the Socialists, the Communists and the Peasants—which from the first have strongly disapproved the new Constitution under which the present electoral laws were passed.

The election was, for Poland, a strangely silent one. The only form of propaganda officially permitted was the publication and distribution of short biographies of the candidates. The numerous dissident groups, however, were merely cowed, not converted, and the results can in no sense be interpreted as a full and fair expression of the national mind.

The election of 64 Senators on Sept. 15 proved even more of a formality than the Sejm election of the preceding Sunday. Only some 300,000 electors—less than 1 per cent of the total population—were qualified to participate, and only three-fifths of these actually voted; 60 of the 64 persons chosen were identified with the government party, including Foreign Minister Beck and Adam Pilsudski, brother of the late Marshal. Under the Constitution, 32 additional Senators were to be appointed by President Moscicki.

REFUGEES IN CZECHOSLOVAKIA

Czechoslovakia, a democratic island in a sea of dictatorships, has furnished asylum to many thousands of refugees from political or religious persecution. The general policy has been to keep the doors wide open to such persons, on condition that they do not engage in political activities or take up work in a labor market in which unemployment exceeds the 500,000 mark. Since the refugees are thus prevented from earning a livelihood, and the assistance provided in the case of Germans, Russians and others by committees formed among the respective national groups has grown quite inadequate, much distress has resulted.

The Czechoslovak Government has been obliged to take protective measures. Entrants are to be confined more rigidly to bona fide refugees, and henceforth all foreigners resident in the country must apply for a permit to remain and must pay a tax ranging from 40 cents to $420, according to individual circumstances. As matters stand, repatriation of both Jewish and non-Jewish refugees from Germany would mean simply handing them over to their persecutors, but it is hoped that diplomatic understandings may presently secure more lenient terms for returning Austrian Socialists and for Russians.

ITALIAN LOANS TO ALBANIA

Relations between Albania and Italy were chilled somewhat in 1933 when

King Zog closed Italian schools in his country and also failed to make an interest payment when due. Matters have now been straightened out, however, and on Sept. 7 it was announced that Italy was resuming her series of yearly loans of 10,000,000 gold francs, started in 1931, to "assure the development of public works and public construction in Albania."

The number of persons condemned to death for participation in the revolt of Aug. 15 at Fieri against King Zog's government mounted to scores, but of actual executions there were, to the end of September, not more than a dozen. On Sept. 22, the King granted clemency to thirty-nine of the accused, though not without imposing prison sentences of varying length. A plea for leniency was lodged by a number of foreign diplomats.

ROYALISM IN GREECE

Throughout September the vitality of the eleven-year-old Greek republic continued to ebb, and the result of the popular referendum to be held on Nov. 3 can hardly be other than a fairly decisive declaration in favor of a restoration of kingship. Before the ill-fated Republican uprising of last March, royalism was only one of many forms taken by anti-Venizelism, but since then the swing toward monarchy has been seemingly irresistible.

Following the unexpected shift of War Minister George Kondylis from the Republican camp, Royalist aims centred upon inducing or coercing Prime Minister Tsaldaris to give up the neutral position which he sought to maintain and come out openly for monarchy. Until his return to Athens on Sept. 9 from an extended vacation, the Premier stood his ground. But, pressed on the one hand by General Kondylis's threatened resignation and on the other by the attempted invasion of a Cabinet meeting by a band of Republican army officers led by General Panayotakos, he yielded on Sept. 10, saying in a public statement: "I attribute the nervous tension at present existing in public ranks and the army to general anxiety concerning the question of a constitution. I consider democratic royalty as the natural régime for Greece and ask the people to vote for it in the impending plebiscite."

Considerable interest attached in the next few days to the rôle to be played by the aged President Zaimis. The Cabinet having gone over solidly to monarchy, he remained the only hope, the Republicans said, of impartiality in the coming plebiscite. Presently, however, confidence in him also vanished, and when it became clear that he would offer no resistance to the monarchists' plans, George Papandriu, the Republican leader, on Sept. 12 asked him to resign. At one time it was reported that President Zaimis had resigned, but on Sept. 14 he indicated, after conferring with Premier Tsaldaris, that he would remain in office until after the plebiscite. Should the monarchists win, no course would be open to him but to step out; should they lose, he would presumably exercise his discretion. In politics, President Zaimis has been classed as an anti-Venizelos Republican.

Meanwhile, former King George held to the strictly correct attitude which he has maintained from the first. While on a visit to the British sovereign at Balmoral he again declared himself willing to return to Greece only in case a national referendum showed that the entire nation desired that he do so. On Sept. 14 it became known that he had definitely refused to cooperate with Royalist leaders at Athens who had considered omitting the plebiscite and accom-

plishing the restoration by an act of Parliament.

Parliamentary arrangements for the referendum were announced on Sept. 18. The voters are to decide between "maintenance of the republican parliamentary régime" and the establishment of a "monarchist democracy," the latter being understood to mean a constitutional monarchy on the British model. Electoral requirements are being simplified to facilitate a heavy vote. Soldiers and sailors, for example, though ordinarily debarred from voting while in active service, will be permitted to cast ballots. Only in Crete, the Aegean islands and some parts of Northern Greece does it seem at all likely that the monarchist program will be voted down.

Most, if not all, of the country's neighbors will look upon a royalist restoration with disfavor. Rumania and Yugoslavia fear the precedent that would be set for the Austrians and Hungarians; Turkish leaders are apprehensive lest the event stir dreams of a restoration of the Sultans.

A LITTLE ENTENTE MEETING

A meeting of the Permanent Council of the Little Entente, held at Bled, Yugoslavia, on Aug. 29 and 30, was followed immediately by a conference of the States that are parties to the Balkan Pact. One of the entente's principal architects, Foreign Minister Benes of Czechoslovakia, was understood to be voicing the opinion of high authorities in all three countries when, in a statement commemorating the fifteenth anniversary of the entente, he said that this "fruitful alliance" had "fully justified its existence."

After the entente conference, it was stated that the three partners had pledged themselves anew to the maintenance of solidarity on all foreign political questions, that they proposed to concentrate all their energy and strength in the service of general peace, and that they expected to "remain faithful to the institution of the League of Nations." Unequivocally, though in studiously moderate terms, another communiqué reaffirmed the unalterable opposition of the entente to a restoration of the Habsburgs either in Austria or in Hungary. On the agenda, too, was the matter of recognition of the Soviet Union by the Little Entente as a body, but no decision on the matter was announced. Czechoslovakia and Rumania extended recognition some time ago. Apparently they are unable to convince Yugoslavia of the wisdom of such a step. Turkey is rumored to have added her voice, but to no avail.

A joint Franco-Italian proposal for a Danubian pact was presented to the conference. Its main features urge: (1) A guarantee of Austrian independence; (2) a mutual pledge of non-intervention; (3) a similar pledge of non-aggression; and (4) agreement for consultation instead of mutual assistance in case of threat to the territorial or political status quo. It was reported that the conference felt that the pact would be desirable, provided that agreement on the several points were reached by France, Italy, Poland and all Central and Eastern European States, and that revisionism was not raised. In view of Hungary's well-known aspirations, it seemed likely that this second condition would of itself interpose an insuperable obstacle. Indeed, in a speech on Sept. 15 by Dr. Antal, press officer of the Budapest government, "the indisputable right of Hungary to revision of her frontiers" was listed as the first of four considerations by which that government would be guided in dealing with the subject.

German Victory in Memel

By RALPH THOMPSON

IN a far from placid atmosphere the electorate of the Memel territory went to the polls on Sept. 29 to choose their representatives to the local Diet. At this writing no final figures on the balloting were available, but there was little doubt that the pro-German parties had won a sweeping victory.

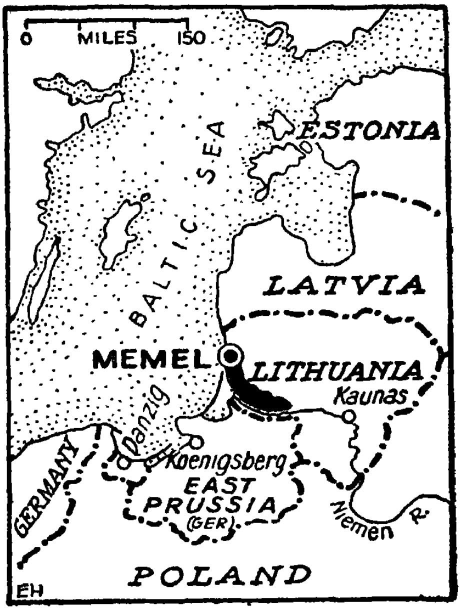
No election in recent years had been preceded by so much ominous speech-making. At all times sensitive upon the subject of Memel and Lithuania, official Germany became especially wrought up after Lithuania had in August modified the electoral law so as to disfranchise certain Germans and to prevent others from standing as candidates. Chancellor Hitler himself, addressing the Reichstag assembled at Nuremberg on Sept. 15, spoke of Lithuanian sovereignty over Memel as "legalized robbery," and charged that Germans in the territory had been "maltreated and tortured." Similar sentiments were voiced by other Nazi officials.

On Sept. 12 Great Britain, France and Italy, guarantors of the Memel Statute, warned Lithuania through their diplomatic representatives at Kaunas that justice would have to be done to all, irrespective of party. Lithuania replied that the elections would be conducted in a proper manner and in accordance with the terms of the Statute. But Germany was not reassured; there were whispers that armed force alone would suffice and loud accusations that thousands of German sympathizers had been disqualified. A semi-official reply issued by Kaunas on Sept. 24 stated that only sixty-nine persons had lost their right to vote and that only four candidates had been stricken from the ballot as a result of the new electoral law.

Two days before the vote was scheduled to take place Great Britain, France and Italy presented identical notes to Germany, pointing out that Lithuania had promised a fair balloting and asking that Germany cooperate so far as possible in keeping order. Lithuania, in turn, invited diplomatic representatives of the signatory powers at Kaunas to go to Memel to observe proceedings on the spot. This they did.

The voting itself was relatively peaceful, only a few clashes occurring between the rival factions. But it was awkwardly handled; a complicated ballot system had been introduced, by which each voter, to indicate his choice for the 29 seats in the Diet, was to tear out of a booklet of 187 pages the 29 bearing the names of his selection. This process consumed more time than had been expected, and the Lithuanian Cabinet had to be hurriedly convoked in special session to prolong the voting period. Not until late on Sept. 30 had all the ballots been cast.

Lithuania could hardly conceal its disappointment over the results of the poll, which had taken on the aspect of a plebiscite, and there were inevitable repercussions at Kaunas. It was clear that the Tubelis Cabinet had not succeeded in "Lithuanianizing" the Memel territory—whether through a literal observance of the terms of the Statute, on account of its own weak-



The territory of Memel (in black)

ness or because of extra-legal methods employed by Germans. The Memel Directorate would have to be reformed in accordance with the new party alignment in the Diet—which would mean a German majority on the Directorate and a farewell to dreams of Lithuanian ascendancy.

Domestic difficulties, as well as the Memel defeat, lent substance to rumors circulated early in October that the Tubelis Cabinet would fall. Throughout the waning Summer weeks Lithuanian farmers had demonstrated against the prevailing low agricultural prices and high taxes; farm products had been withheld from the semi-official cooperatives; clashes with the police had resulted in several deaths and scores of arrests. On Sept. 6 Premier Tubelis had reformed his Cabinet, naming new Ministers for the departments of the Interior and Agriculture. On Oct. 1 the government had been forced to announce a rigid control of foreign exchange as a result of a rapid decline in the national gold reserve.

FINLAND'S BUDGET

Prime Minister Kivimaki's Cabinet presented its third annual budget to the Finnish Diet when that body assembled for its regular Autumn session on Sept. 2. According to the estimates the lower limit of taxable income will be raised from 6,000 to 10,000 marks (the finmark is currently slightly over two cents); the lower limit of taxable property from 40,000 to 100,000 marks. Allowances for dependent children will be doubled and import duties on rye, wheat, sugar and coffee will be reduced. These concessions have been made possible by the fact that State revenues have increased with improved economic conditions; the national income from taxes, duties and dividends rose from 2,500,000,000 marks in 1932 to nearly 3,500,000,000 in the year ended Dec. 31, 1934.

DANISH ELECTION ORDERED

As a result of the agricultural unrest which began late in the Summer (see October CURRENT HISTORY, page 101) the Danish Parliament was dissolved on Oct. 1, and a general election was ordered for Oct. 22. Prime Minister Stauning and the members of his Social Democratic-Radical coalition government found themselves helpless in the face of the valuta strike, which had so demoralized the national economy that drastic measures were necessary. Denmark was to be called upon to choose between two points of view—that of the government and that of the rebellious farmers. The latter are said to be chiefly from North Schleswig, a former German territory, and to be headed by Count Knuth, leader of the National Socialist peasantry.

Russia and the League

By EDGAR S. FURNISS

MAXIM LITVINOV'S statement at Geneva on Sept. 14 of the Soviet attitude on the Ethiopian dispute disclosed interesting aspects of the Union's foreign policy. It indicated, for one thing, a more complete adherence to the League Covenant and its purposes than had previously been avowed by the Union. Only a short time ago Russia's attitude toward the League was one of unmitigated suspicion and enmity. It had, indeed, become a fixed principle among all good Communists to condemn the League as an unholy alliance of rapacious imperialists.

When the Soviet Union at last joined the League, the shift was explained in terms of devotion to world peace, though it is well known that it yielded under French persuasion and with the very practical purpose of strengthening relations with the allies of France in Eastern Europe. The change of front caused some mental discomfort to Soviet spokesmen, who are still a little uneasy when alluding to it. Even as late as midsummer the Russian press took the position that the country was not greatly committed to the League. A Soviet editorial, in commenting on the Council meeting of Aug. 1 belittled Russia's interest in the League, saying that the Covenant had been signed with large reservations and that the whole idea of the League's mandatory power had been repudiated. The same spokesman, feeling obliged to explain why Litvinov happened to be serving as Council chairman, said that it was entirely due to alphabetical rotation in office.

In the case of the Ethiopian problem, the Soviet Union has also sought to maintain an attitude of aloofness. In August it was denied that "the U. S. S. R. had a share in the Council's proceedings." Early comment on British policy was equally misleading as to the position the Soviet Union would eventually take. In August the Soviet press dismissed Britain's proposals for collective action against Italy as based on "interested motives" and made much capital out of the scandal surrounding the Rickett oil concession.

Litvinov's declaration on Sept. 14 showed that Soviet diplomacy had moved from this earlier position to one of active support of the League Covenant, even if this should involve participation in sanctions against an aggressor. He reiterated his government's opposition to the whole system of colonies and spheres of influence, thus making it clear that any support now given to British policy implied no desire to protect that country's imperial position. The only question, said Litvinov, is that of "defending the Covenant of the League as an instrument of peace" and the Soviet Union "cannot allow any attempt which will put it out of work." The practical effect of the statement, however, was to assure Great Britain of Russia's support in her effort to restrain Italy.

At the same time there was a striking change in the tone of the Soviet press with regard to Britain. Assaults on British motives gave way to applause for her effort "to reinforce the

interests of peace and strengthen the authority of the League of Nations." The Soviet Union is on terms of peace with Italy and has recently worked hard to bring about closer economic and political relations with that country. Russia has been supplying a large part of the materials needed for the provisioning of the Italian Army in East Africa. Nevertheless, she eventually threw her support on the other side in the controversy at Geneva.

It is natural to look for some cause for this shift outside the circumstances of the Ethiopian issue itself. As a matter of fact, the Soviet Union's final declaration is not inconsistent with its general foreign policy. It has stood consistently for the preservation of peace, and has been wedded since the beginning of the Communist régime to an ideal of freedom and self-determination for backward peoples. But other factors come into play. In particular, the situation offers a chance to advance the one international policy which the Soviet Union considers of greatest strategic importance to itself and to the peace of Europe—an alliance of France, Great Britain and the Soviet Union to preserve the status quo in Eastern Europe. Such an arrangement, it need hardly be said, would guarantee security against Germany and Poland, and, by removing uneasiness about the Western frontier, increase Russia's defensive strength against Japan in the Far East.

The Russian attempt to conclude such a pact last Spring was thwarted by Britain's refusal to commit herself. It is now thought possible that Britain's desire for French support in the Ethiopian issue and her appreciation of the Soviet Union's importance to any collective action by the League may make for reconsideration of that decision. This is the immediate objective of Litvinov's participation in the discussions now going on at Geneva. His declaration of policy on Sept. 14 allows him to bring pressure on Britain for the conclusion of an Eastern European pact.

The concern of France and the smaller European nations in the present controversy is not over the fate of Ethiopia but over the danger, if Italy is engaged elsewhere and particularly if Britain should be similarly engaged, that action by Germany will upset the peace of Europe. To the Russians the situation is proof of their thesis, "Peace is indivisible." They insist that a rupture anywhere will destroy the whole peace fabric. Their answer to the problem is an alliance of the powerful nations to curb any aggressor in Europe, by force if necessary, regardless of what may happen elsewhere.

Sir Samuel Hoare's emphatic statement at Geneva that Britain is devoted "to the League Covenant in its entirety" and to "solid opposition" to all cases of aggression, and the more elaborate declaration to the same effect contained in his letter of Sept. 29 to the French Foreign Office, gave the Soviet Union its cue. Litvinov and the Soviet press argue that if the British mean what they say they are already committed to the purposes of the Eastern European pact and should no longer hold aloof. Though Sir Samuel Hoare, even in his latest statement, was still reluctant to commit his country in advance to definite action in any specific case of aggression, what the Russians were quite unable to achieve six months ago seems in the present setting by no means hopeless; and it may well be that the Union will emerge from the confusion at Geneva with the coveted tripartite alliance with Great Britain and France.

One incident in connection with Litvinov's speech threw light on the present unstable condition of Soviet-Polish relations. He took occasion to condemn a type of non-aggression pact which, while it binds two nations to respect each other's territorial sovereignty and to assist each other to repel an assault by a third power, leaves each free to attack another State. Colonel Beck of the Polish delegation held that this referred to the Polish-German alliance, as no doubt it did, and made a vigorous speech in criticism. When Litvinov rose to reply the entire Polish delegation withdrew. The incident, slight in itself, gave notice that recent efforts to detach Poland from an entanglement with Hitler and to bring her into closer affiliation with Russia had been fruitless. With Hitler's rise to power France attempted to bring Poland into line with her own policy of Soviet rapprochement, but French unwillingness or inability to crush Hitler by force caused Poland to decide to protect her own interests by direct negotiation with Germany.

The outcome was the German-Polish pact of 1934 by which Poland gained territorial security on the disputed frontier of East Prussia. This detached Poland from French leadership in Eastern Europe and caused the Soviet Union to classify her as an ally of the arch-enemy, Germany. The increasing uncertainty of Hitler's position during recent months had led to the belief that Poland might now be ready to return to the old affiliation with France and to compose her differences with the Soviet Union, which have been many and bitter since 1934. Colonel Beck's blunt declaration at Geneva is proof that there has been no improvement in this area of Soviet relations.

The stabilization of Soviet relations in the Near East was signalized by two events this Summer. The first of these was the conclusion on Aug. 27 of a comprehensive trade agreement with Iran; the second, the opening of the Congress of Iranian Art in Moscow on Sept. 11. The congress was an important occasion in itself, since it brought together the most impressive display of Iranian art of all forms and periods ever exhibited in a single place. But the political implications were quite as important as the esthetic, since the leading governmental authorities of Iran visited Moscow. It is significant, too, that the Turkish Government sent a strong delegation to take part in the proceedings.

The Soviet Government has been working for some time to broaden the entente with Turkey so as to bring Iran into equal partnership, and it seems that this policy has now been carried through. The alliance with Turkey, developing from the time when Russia went to the aid of Kemal Pasha during the war with Greece, has become a close affiliation involving both economic and military cooperation. Although no formal announcement that Iran has been drawn into this alliance has yet been made, there is every reason to believe that the three countries have reached an understanding. This particular strand of Soviet policy is of a piece with the manoeuvres for an Eastern European pact already referred to, since both are phases of a general security program which already includes an understanding with France, a close agreement with the Little Entente and the Balkan States, and is now extended into the Levant and the Middle East.

The extensive military manoeuvres of the Red Army in mid-September were not unrelated to these developments of Soviet foreign policy. The

place selected for the war games—the Ukraine—indicated the Union's desire to display its power in the area which it believes to be the most likely objective of German or Polish attack. The large numbers engaged, and particularly the impressive exhibition of mechanized land weapons and of aircraft, gave forceful warning of the Union's ability to defend itself. But apart from this, the event was turned into a sort of public announcement that the Union can count in emergency upon military assistance from its present European allies.

The manoeuvres were witnessed by delegations of staff officers from the French and Czechoslovakian Armies, a fact which received much emphasis in the press. Earlier in the Summer members of the general staff of the Red Army attended for the first time the manoeuvres of the French Army in Champagne, and a similar delegation of Soviet officials joined with representatives of the Rumanian and Yugoslav Armies in witnessing military manoeuvres in Czechoslovakia. Russia's pacts with France and the Little Entente do not contain specific assurance of military assistance, but the extensive exchange of military missions this Summer is taken to mean that the signatory powers are prepared to employ their armies cooperatively against an aggressor.

Some time ago French military experts inspected Russia's war establishment and, according to unofficial reports, passed favorable judgment, with one exception—the lack of adequate transportation facilities. The Union has been striving to repair this gap; first, by the creation of motorized military equipment for the specific use of the army, and, second, by a concerted drive to improve the whole transportation system, especially the railways.

The first of these policies accounted for much of the expansion of the heavy industries in 1934, contrary to the announced plan of emphasizing the production of consumption goods. This retarded the program of elevating the general level of comfort among the population, but, according to observers on the ground, it accomplished the intended purpose. The Union can now supply from its own productive resources in quality as well as quantity the needs of a mobile army for mechanized instruments.

As to the railway problem, early in 1935 Kaganovich was given dictatorial powers over the transportation system with a budget of 4,000,000,000 rubles. Three months later, in April, the schedule of carloadings was fulfilled for the first time in many years and each subsequent month has established a new record for railway efficiency. Final solution of the problem will depend upon thorough rebuilding at a cost of some $250,000,000, and this, too, is a part of the Soviet plan. For many years the Russian people have suffered from the lack of adequate transportation; now military considerations seem likely to provide the incentive needed to overcome the difficulty.

Will Japan Move on China?

By GROVER CLARK

RECENT events indicate that there is to be a new act in the drama entitled "Japan Saves China by Swallowing Her." Japanese militarists have explained that their country must protect "China's 400,000,000 exploited humans" and will "exterminate any one obstructing her," with specific mention of Chiang Kai-shek and the Nanking Government. Japanese warships have been concentrated at Swatow, on the southeastern coast, and at Hankow, up the Yangtse, to back up Japanese demands at these important ports. The officially controlled Japanese newspapers in Shanghai have renewed their demands for greater Japanese participation in the administration of the International Settlement.

At Chingwantao, near Tientsin, Japanese gendarmes recently disarmed the crews of two Chinese customs cruisers. Koreans and Japanese have flooded North China with smuggled Japanese textiles in open defiance of Chinese customs regulations and officials. General Doihara, whose trips are frequently followed by new Japanese armed advances, recently made an airplane visit into Inner Mongolia, ostensibly to discuss with Chahar, Suiyuan and Shansi Provincial authorities plans for resisting a possible advance into this area of the Communist forces which Chiang Kai-shek was driving out of Szechuan Province. And at Tokyo the Premier and the Foreign Minister had a long conversation on the subject of Japanese economic expansion in North China.

The army point of view was given by General Hayao Tada, newly appointed commander for North China, and Major Gen. Kensuke Isogai, Military Attaché to the Japanese Embassy at Nanking. General Tada received twenty Japanese correspondents on Sept. 26 and gave them copies of a pamphlet prepared by the political division of the Japanese Army in China. Tokyo authorities later said that the pamphlet was "unauthentic" as an expression of General Tada's views or of Japanese policy. The general himself, however, has not repudiated the pamphlet, and General Isogai on Oct. 2 told *The New York Times* correspondent that he was "in emphatic agreement with the main thesis—that proper steps must be taken immediately in the five Northern Provinces [of China] to end the exploitation of the masses by militarist politicians."

Both General Tada and General Isogai said that the pledges exacted from the Chinese in June were not being kept. On Sept. 10—shortly after the May 31 demands had been again presented in substance—General Isogai declared that "the entire political and military situation in North China is unsatisfactory and if not improved at an early date in accordance with the Chinese pledges of last June the Japanese Army must necessarily take appropriate action. * * * Sweeping changes in the personnel of the North China administration seem inevitable before genuine cooperation is feasible." Referring to the Communist

menace, he said that "Japan will not tolerate the establishment of a Communist government in China or in any other part of Eastern Asia, but will act independently to destroy such a régime." Chiang Kai-shek several times had asked for help against the Communists, he declared, only to be refused because "if Japan acts against the Communists it will not be as a measure of assisting Chiang Kai-shek but in order to stamp out the Red régime, thereby protecting the areas bordering on Manchukuo."

In another interview on Oct. 2 General Isogai was even more blunt. He said that "only two solutions are possible in the North China problem—either the Nanking Government and Generalissimo Chiang Kai-shek must immediately institute fundamental changes of policy or the five Northern Provinces must be entirely alienated from the central government, establishing an independent administration." He openly urged the Chinese to overthrow the Nanking régime: "It is evident that the present Chinese Government, which is administered solely in the interests of a few persons, must be superseded by a government having at heart the interests of the many and the welfare and prosperity of China's 400,000,000."

"Japan will not provoke a crisis in North China," said General Isogai, "but if a crisis arises that jeopardizes the welfare and safety of Japanese and other foreigners, Japan is fully prepared to step in and make the necessary sacrifices to establish a stable régime." A week earlier General Tada had declared that "Japan's continental policy aims at the salvation of China's 400,000,000 exploited humans, and Japan will exterminate any one obstructing her." Action in North China presumably would come first, since "a new political set-up, politically as well as economically independent of Nanking," is necessary in order to free the region from continual exploitation by Chiang Kai-shek. But, according to the pamphlet the general gave his interviewers, Japanese action would not stop there. Following the "stabilization" of North China, Japan would find it necessary to "stabilize" the rest of the country.

Civilian authorities in Tokyo have tried to discount these remarks, referring to them as trial balloons representing the speculations of right-wing army officers rather than considered Japanese policy. But they come from the group that secured Japanese domination in Manchuria and then, a few months ago, put the Peiping-Tientsin area under virtual Japanese military control, all in direct contradiction to Japanese civilian statements.

While these threats against North China were being aired the Japanese Navy became busy further south. At Swatow, which is in the sphere of influence of Canton rather than of Nanking, the authorities seized some shipments of rice belonging to Formosans on the ground that agricultural taxes had not been paid. This move was a sequel to various lesser incidents growing out of Chinese attempts to stop large-scale smuggling by Formosans. Late in September ten Japanese destroyers appeared in Swatow harbor and 120 troops were landed, avowedly to back up protests against the seizure of the rice and to secure pledges that there would be no more interference with Japanese or Formosans. At Hankow seven gunboats were called together about the same time to support sharp demands that anti-Japanese agitation be stopped. On Sept. 18, the anniversary of the beginning of Japanese penetration into Manchuria in 1931, the

Hankow and Wuchang garrisons had been plastered with posters calling on the soldiers not to forget that fateful day.

These naval demonstrations at Swatow and Hankow were believed by the Chinese authorities and others to be simply devices for increasing diplomatic pressure to secure immediate recognition of Manchukuo by China and full freedom for the economic exploitation of North China. The demonstrations and military statements together convinced many that Japan was ready to move when fighting started in Ethiopia.

JAPAN AND THE SOVIET UNION

Tokyo as well as Washington objected to the way in which plans for Communist agitation were flaunted before the world during the Comintern congress in Moscow during August. Japanese, Chinese and Korean Communists had paraded during the congress and reports of their doings and of other congress events had been prominently displayed in the newspapers of Siberia and Eastern Russia. All this was a violation of the Russian agreement not to encourage Communist propaganda in the Far East, declared the Japanese Government in a vigorous verbal protest delivered shortly after the United States had entered its complaint, and Russia was warned that something more than protests might follow a repetition of such conduct. The Soviet Government formally refused to receive the Japanese protest.

These events played directly into the hands of those Japanese who have been saying that "something must be done" to stop Communist propaganda and a menacing tone has reappeared in the Japanese press. Negotiations over the fisheries leases have not ended. Disputes over alleged boundary violations keep arising. Talk of Japan's buying the northern half of Sakhalin Island has revived. The Manchukuo-Mongolia dispute over the Barga border incidents of last year has not yet been settled. Japanese military chiefs talk loudly about the need for crushing communism—which is a polite way of phrasing a determination to push Japanese dominance westward into Inner Mongolia. Altogether, there is plenty of inflammable material lying around to catch fire if and when either side wants to start a fire.

LOANS FOR CHINA?

Sir Frederick Leith-Ross's arrival in the Far East to study economic conditions in China on behalf of the British Government caused a flurry of speculation in Japan as to whether Great Britain was contemplating a loan to China in order to block Japan's advance. Nevertheless, Sir Frederick was given an audience by the Japanese Emperor and had talks with the Foreign Minister and various business and financial leaders. He did not get a Japanese promise of cooperation in a loan, even if he asked for it—which is doubtful. Instead, he was told that China is in no condition to be given a loan now, that really nothing can be done to help China financially until the United States changes its silver policy. But if Sir Frederick succeeds in working out a loan plan the Japanese, it seems, would like to be given a chance to share in it. They are skeptical about China's accepting a loan, since if it is to be effective foreign control of the administration will be necessary, and this the Chinese will not tolerate. Sir Frederick left Japan for China on Sept. 18.

HISTORY

December, 1935 Price 25 Cents

THE NEW YORK TIMES COMPANY

CURRENT HISTORY

DECEMBER 1935

Forward With the Constitution

By DANIEL C. ROPER
Secretary of Commerce

ON Constitution Day of this year, Sept. 17, I delivered an address entitled "Forward With the Constitution." Newspaper headlines, news stories and editorials during the next few days declared that I had urged an amendment to the Constitution. Yet there is not a single sentence nor an implication in this address that recommends an amendment to the Constitution. My entire presentation was based upon the premise that, if experience and complex economic and social changes seem to require some constitutional change through amendment, then it is the responsibility of leadership to clarify this issue so that it may be passed upon by the American people.

As I see it, the issue at stake today is not whether the Constitution should be amended in the near future or what such an amendment should be, but instead whether there shall be a frank discussion of constitutional questions and whether, ultimately, it may be necessary to ask the people to express their collective will with respect to constitutional changes.

In my Constitution Day talk I stated frankly that "there is an unfounded and un-American cry in our country today that even to think of changing the Constitution is heresy." Who is to say at the present time that it will not be necessary within the next few years to submit a question of constitutional change to the American people? Should such action seem proper and wise, there is no better assurance for intelligent determination by the people than a background of education and clarification.

To this end, therefore, we should disavow all efforts to place false labels on current discussions; we should reject all attempts to close the door against a proper discussion of vast changes and the new problems they involve; and we should guard against all endeavors that seek to crystallize people's minds concerning such a vital issue as constitutional change before the issue has been fully

developed through tested national experience. No one today can say that an amendment will be necessary. No one can say that it will not be. But the final answer must be found in a typical, American democratic manner.

I propose, therefore, a brief analysis of the Constitution as a vital instrumentality for meeting, as they arise, the varied and fundamental changes in social, economic and governmental evolution. This requires a consideration of the Constitution as a living mechanism and not as a dead tool. When it ceases to provide the degree of flexibility and adaptability that is necessary to enable the government to solve the increasingly complex problems of the present era and future years, it will have failed in the primary purpose for which it was written by our forefathers.

The Constitution cannot be construed as a static, crystallized decalogue of governmental principles. Rather it must be applied and interpreted as a dynamic, adaptable instrument designed to meet the changes and exigencies which modern civilization has imposed upon contemporary society. It is essential that we keep the changing, living characteristics of the Constitution constantly in mind, for there are those today who would mislead the public into believing that to change or adapt this great instrument to serve changed conditions is to desecrate it.

The only substantial difference in the consideration of the Constitution today rests with the interpretation of the provisions contained in the seven original articles and the twenty-one amendments. It is a question of whether these provisions can and shall be interpreted to carry out the fundamental purposes and objectives as set forth in the Preamble and Section 8 of Article I, or whether it will be necessary to provide additional amendments to meet the demands of present-day social and economic life for the continued progress of our nation.

The ravages of a long and destructive economic and social depression necessitated unprecedented and unparalleled action on the part of the Federal Government. States, communities and private business were all helpless in their efforts to stem the engulfing tidal wave of national calamity. The chief reason for this helplessness was the fact that virtually all State, regional and industrial boundaries had been inundated and eradicated by the flood waters of economic collapse. Such a vast national problem could be met and solved only by broad national action.

As a result of this phenomenon, Federal jurisdiction was extended on a far more ramified scale than ever before; Federal action, by absolute necessity, and in response to the pleas of business itself as well as of the States and their political subdivisions, was extended into fields of endeavor which under emergency conditions, and as a result of increasing complexities, could no longer be treated effectively through State jurisdiction or private collective action.

Obviously, the duty and responsibility imposed upon the Federal Government has provided an opportunity for many to point out that such necessitous Federal action transcended the sphere of action allowable within constitutional limits.

On every side now we are hearing the same declarations that lulled the country into lethargy following the crash in 1929 and during the two or three years immediately following. Virtually all major economic signposts pointed downgrade into the ever

deepening canyon of depression; yet those who had been carried to leadership by a great post-war boom existing for over a decade preached that things would gradually right themselves if let alone. But that doctrine of automatic readjustment and recovery proved to be a will-o'-the-wisp that almost led the United States into irretrievable disaster.

In 1933 the people of the United States rebelled against the consequences of the mistakes made in the decade preceding 1929. Now with recovery indisputably under way the proponents of an almost complete return to the same old order plead for a mass indifference to those causes. As significant evidences and concrete demonstrations of recovery become cumulatively greater with each passing month there is thus a rebirth of the once vocal school of thought that wants to reinstate the methods and procedures which proved ineffective before March 4, 1933. They miss entirely the fact that it is this generation's task not only to bring about a greater recovery than ever before but also to attain the salient objective which will prevent a repetition of the disaster which has tested our nation to the limit since 1929.

The proponents of this school now rely chiefly upon the slogan "Back to the Constitution!" In the bosom of this slogan they repose all their faith in bringing into national power again those who believe in the doctrine of "let things alone and they will take care of themselves." My answer to the wailing cry of "Back to the Constitution!" is the progressive and American challenge of "Forward with the Constitution!"

The preservation of the Constitution means continuing it as a living instrument even more than maintaining its status quo as to body and amendments. The Constitution has grown and developed through usage, interpretation by the courts and amendments. The last of these represents the supreme privilege of the American people to voice their will with respect to keeping their Constitution abreast of rapidly changing and shifting conditions and needs. The nature and essence of the Constitution, as viewed profoundly by America's outstanding jurist, Chief Justice John Marshall, is given in the following words, taken from Marshall's opinion rendered in the case of McCulloch vs. Maryland:

"This provision is made in a Constitution intended to endure for ages, and, consequently, to be adapted to the various crises of human affairs. * * * It would have been an unwise attempt to provide, by immutable rules, for exigencies which, if foreseen at all, must have been seen dimly, and which can best be provided for as they occur."

Marshall's words "to be adapted to the various crises of human affairs" reflect the absolute necessity for the vital living character of the Constitution. It reflects an adaptability and flexibility without which this nation could not have progressed and endured. If conditions once again decree that the people should have an opportunity to express their will with respect to giving their government necessary scope and authority to deal with grave, disrupting peace-time emergencies, and to maintain the stability secured through arduous recovery efforts, who can righteously say that such a procedure is not fully in accord with traditionally established principles of American government?

The right of amendment is the heartbeat of our constitutional system. It is the one means by which the

people themselves have the right and duty to change and adapt the fundamental laws of our government to permit and assure national progress. To thwart or inhibit this right would mean to choke the flow of democracy's bloodstream. The framers of the Constitution could not envisage specifically the vast and complex problems which changing conditions in our economic and social life have brought about. But they did foresee the inevitability of a changing national life and consequently sought to devise a Constitution that would have the flexibility to meet these changes. With far deeper wisdom and vision, they explicitly set forth the means and methods by which the people themselves could change the Constitution when progress and development made it proper and necessary.

Thus far in our nation's history the people have exercised this right twenty-one times. The first ten amendments, generally referred to as the "Bill of Rights," became effective in 1791 and were actively supported by those men who helped draw up the Constitution. When usage and interpretation have not secured to our people economically and socially beneficial laws, they have deemed it expedient to change the Constitution to make the laws effective.

Time and experience have borne out the wisdom and propriety of these changes, although at the time of their adoption many feared that they would undermine and destroy our government and our democratic institutions. John J. Ingalls, for many years Republican Senator from Kansas and president pro tempore of the Senate from 1886 to 1890, many years before the beginning of the twentieth century said:

"The Constitution is perpetually invoked by the narrow, rigid and illiberal constructionists to interpose an insuperable barrier against every effort to better the condition of the people."

Certainly any efforts to forestall a proper consideration of constitutional needs which might in the future require a national referendum to the people is contrary to the spirit and purpose of the Constitution itself.

The vast changes that have taken place in the American commercial system and the geometric growth in complexities and interrelationships in economic activities and the increasingly difficult problem of properly managing and interpreting these relationships in which intrastate and interstate jurisdictions come into conflict is well illustrated by the great increase in cases coming before the Supreme Court with respect to the interstate commerce clause.

This clause of the Constitution was fully sufficient to meet the situation for the first quarter century of our nation's life. But even before the Civil War inadequacy in certain respects was met through liberal interpretations of the clause by the Supreme Court. In the first great case dealing with the commerce clause, that of Gibbons vs. Ogden, Chief Justice Marshall, even in 1824, recognized the absolute necessity of a liberal interpretation of the clause to meet the exigency of present and potentially greater commercial complexities.

In his decision in this case, Marshall asked the question, "It has been said that these powers ought to be construed strictly. But why ought they to be so construed?" Marshall went on to answer the question by criticizing that narrow construction which would cripple the government and render it unequal to attain the objects for which "it is declared to be instituted."

Without the greater impetus of liberal construction and application given by Marshall to the commerce clause there would have been such a narrow authoritative base that many of our most beneficial laws probably could not have withstood the constitutional challenges brought into courts by those vested interests who wished to maintain an archaic status quo irrespective of the demands for inexorable changes and the general welfare. If practical experience, secured in the crucible of depression years, proves conclusively that the Federal Government does not have the proper authority to initiate and execute a program necessary to maintain the public welfare and provide a democratic distribution of benefits, it must be the inescapable responsibility of leadership to clarify that issue for the American people so that they may, through the means provided in the Constitution itself, express their collective will.

Unfortunately, there is a growing chorus of voices seeking to mislead the people into assuming that even the suggestion of a possible broadening of the Federal Government's power through amendment to deal with matters of interrelated national economic problems is in itself contrary to constitutional doctrine. I recall within my own lifetime the barrage of criticism heaped first upon the Interstate Commerce Commission and later upon the Federal Trade Commission.

The Interstate Commerce Act became law in 1887, exactly one hundred years after the adoption of the Constitution. The critics of that day pointed out the striking coincidence that such an act should be passed on the hundredth anniversary of the birth of the Constitution, and lamented the passage of the act as an unconstitutional invasion of private rights by the Federal Government. Later the Federal Trade Commission became the target of much similar critical abuse. At the time of passage both these acts were labeled by critics as violent reform measures, marking the usurpation of traditional private rights by the Federal Government. Recourse to criticism on the ground of unconstitutionality, either in spirit or in fact, was the chief weapon of reliance used by the objectors. Today we are having precisely the same experience.

Opposition disagreement with the Roosevelt program is natural and to be expected under our two-party system of government. Intelligent, forthright criticism is a necessary protective factor in our democratic procedure. But true party responsibility is evaded when opposition seeks the cloak of unconstitutional charges as the chief ground of generalized criticism.

Lincoln, during his strenuous and perilous days, was often severely criticized on constitutional grounds. In a remarkable letter to Mr. Hodges, Lincoln answered these criticisms with the following trenchant assertion:

"My oath to preserve the Constitution imposed on me the duty of preserving by every indispensable means that government, that nation, of which the Constitution was the organic law. Was it possible to lose the nation and yet preserve the Constitution? By general law life and limb must be protected, yet often a limb must be amputated to save a life; but a life is never wisely given to save a limb. I felt that measures, otherwise unconstitutional, might become lawful by becoming indispensable to the preservation of the Constitution through the preservation of the nation. Right or wrong, I as-

sumed this ground, and now avow it."

History has confirmed the righteous judgment of Lincoln in moving forward with the Constitution just as it will confirm the constitutional procedures of President Roosevelt.

Lincoln, at the time of giving his first inaugural address, faced an acute domestic emergency just as Roosevelt did in 1933. In this address Lincoln dealt frankly with several aspects of constitutional questions, making this trenchant observation:

"The candid citizen must confess that, if the policy of the government upon the vital questions affecting the whole people is to be irrevocably fixed by decisions of the Supreme Court, the instant they are made * * * the people will have ceased to be their own rulers, having to that extent practically resigned their government into the hands of that eminent tribunal."

Lincoln, before grappling with the problems which confronted him, frankly stated the principle that, if the Supreme Court should pass adversely upon vital policies affecting the whole people and that if such action should be regarded as irrevocably fixed, the people would cease to be their own rulers. Lincoln's methods and principles have been passed upon with affirmation and acclamation by patriotic American judgment. Why is it, then, we may ask, that comparable but less drastic procedure on the part of President Roosevelt should be criticized as unconstitutional or un-American in any way?

James Russell Lowell, in his great essay on Abraham Lincoln, written at the same time that Lincoln was experiencing the critical reaction that immediately preceded the end of the Civil War, confirms the deep patriotic attitude evidenced in Lincoln's letter to Mr. Hodges and in his approach to constitutional questions. Today those who are most vigorously criticizing President Roosevelt on constitutional grounds are reanimating the practices and name of Lincoln in a desperately hopeful attempt to infer that Lincoln's record from a constitutional viewpoint stands in contrast to that of Roosevelt. The public position of no two Presidents, with respect to fundamental guiding principles in a great domestic emergency, has been so basically similar as that of Lincoln and Roosevelt. Lincoln's own letter to Hodges, as well as many other recorded statements and facts, is an affirmation of the statement I have just made.

Lincoln averted absolute internal chaos through ultimate victory over the destructiveness of a civil war; Roosevelt averted absolute internal chaos through victory over the insidious forces of America's most tragic depression. As soon as the tide had definitely turned, Lincoln's program of reconstruction and reformation was bitterly attacked. President Roosevelt's program of reconstruction is meeting obstructions, but fortunately the broader knowledge and understanding of the people will accord that support to Roosevelt that a strife-torn, war-wearied people did not accord Lincoln.

Lowell, in the essay to which I have already referred, made the following comments with respect to Lincoln's problems, methods and status:

"All that he did was sure to be virulently attacked as ultra by one side; all that he left undone, to be stigmatized as proof of lukewarmness and backsliding by the other. * * * Mr. Lincoln's perilous task has been to carry a rather shaky raft through the rapids, making fast the unrulier logs as he could snatch opportunity, and the country is to be

congratulated that he did not think it is his duty to run straight at all hazards, but cautiously to assure himself with his setting-pole where the main current was, and to keep steadily to that."

Precisely the same words might be written today to describe the course that President Roosevelt is pursuing.

The "setting-pole" of depression experience has shown clearly what the main current of action must be. Our economic and social system has grown so vast, complicated, interrelated and sensitive that it can no longer maintain a continuity of stability and sound structural growth unless methods and procedures are provided for treating it comprehensively as one interrelated system rather than to allow its broad scope of actions and reactions to be controlled separately and in segmentary fashion.

As far as commerce and business are concerned, State lines have now largely vanished. The tremendous growth of corporations and their penetration nationally into all communities and into all phases of the nation's economic activities have made national coordinated treatment of these economic activities mandatory. Since the World War, under a system of group approach and development, the economic rewards accruing from the operations of our system have generally, but with some important exceptions, of course, been unequally divided. Practices which, fifteen or twenty years ago, were simon-pure intrastate transactions, now directly or indirectly exert an influence of far-reaching proportions upon the entire national economic system. It is not, therefore, a question of whether long-established custom and thinking prefer the old system to the new approach, but rather it is a question of dealing with conditions as they are in a comprehensive and over-all fashion.

As I read the debates and proceedings of the Constitutional Convention of 1787, as I study the *Federalist* papers which translated the purpose and meaning of the Constitution to the people in the first few years following the convention, and as I analyze the written words and recorded actions of America's greatest leaders and statesmen, I find nothing but justification, in conformity with long-established American principles and doctrines, of the constitutional course that President Roosevelt has pursued. I have already cited much verifiable data to prove this conclusion.

George Washington once said:

"It is clear to me as A B C that an extension of Federal powers would make us one of the most happy, wealthy, respectable and powerful nations that ever inhabited the terrestrial globe. I predict the worst consequences from a half-starved, limping government, always moving upon crutches and tottering at every step."

Following the Revolutionary War the American government was "always moving on crutches and tottering at every step" because it did not have the power and authority to deal comprehensively with interstate commerce. It was primarily commercial needs which led to the calling of the Constitutional Convention and the extension of Federal powers which made our present nation possible. If new and complex commercial needs, which only the Federal Government is competent to meet, require proper constitutional extension, who can find anything in such a declaration from the President to the American people to conflict with Washington's statement which I have just quoted, or with the whole body of our constitutional ex-

perience? This principle of constitutional adaptability is also fully in accord with the following statement made by Calvin Coolidge in 1925:

"We shall continue prosperous at home and helpful abroad, about as we shall maintain and continually adapt to changing conditions the system under which we have come thus far."

As Coolidge said, our problem is to "continually adapt to changing conditions the system under which we have come thus far." That is the principle which unmistakably underlies President Roosevelt's philosophy and action. Many years of delayed and postponed adaptation created a situation which almost wrecked our nation. The complications of the resultant problems required a period of broad and immediate adaptation. President Roosevelt had to initiate the measures that others had failed to provide. And now in glaring headlines and blaring voices we hear the slogan of "Back to the Constitution!"

The administration believes that the Constitution, applied in accordance with the best practices supported by the greatest leaders in our national life and history, can successfully meet the test of great changes which must be faced courageously in the years immediately ahead. The late Justice Holmes once said: "We must recognize that growth is the law of life, and that change is as inevitable as the rise and fall of the tide." This growth is one of the inevitable principles of life, and through usage, interpretation and amendment, our Constitution has been maintained as a living, vital instrumentality functioning for the general welfare of the American people. Less than six months before his death, in a letter to a friend, Thomas Jefferson wrote:

"Some men look at constitutions with sanctimonious reverence, and deem them, like the ark of the covenant, too sacred to be touched. They ascribe to the men of the preceding age a wisdom more than human, and suppose what they did beyond amendment. I knew that age well; I belonged to it and labored with it. It deserved well of its country. It was very like the present, but without the experience of the present—I am certainly not an advocate of frequent and untried changes in laws and constitutions—but I also know that laws and institutions must go hand in hand with the progress of the human mind."

The Roosevelt administration, recognizing that our economic and social progress demands that we adjust and adapt our governmental principles and procedures to these changes, aims to give the people of this nation a greater opportunity to secure those benefits which our heritage and enterprise have made possible. These great fundamental principles must be preserved and adapted to assure national progress as against national decadence. The first requirement of a progressive society is a progressive constitution. That is the essence of democracy. That is the great heritage which is ours today, set forth by our forefathers 148 years ago. That is the principle which is embodied in today's fundamental challenge—"Forward with the Constitution!"

The President's Job

By CHARLES W. B. HURD*

THE Presidency of the United States is no longer the easy job it used to be. Once upon a time the Chief Executive had to spend only a couple of hours in his office in the morning, receive a few visitors daily and, except in election years, make perhaps half a dozen speeches a year. But times have changed, as has been amply demonstrated since Franklin D. Roosevelt entered the White House.

President Wilson ran a war with a staff smaller than that now occupied with White House affairs even in the dullest season. President Hoover enlarged the White House secretariat to three members, with a clerical force of less than fifty, whereas today there are about 150 hard at work handling the piles of mail arising from the numerous activities added by President Roosevelt to the White House routine.

Some say that this shows the President's devotion to duty, others that it proves he has exceeded his powers in the government of the country. Neither explanation is accurate, although Mr. Roosevelt quite obviously believes it advisable to have a larger share than any of his predecessors in directing the nation's destinies. Even his strongest Cabinet aides, including such diverse personalities as Secretary of State Hull and Secretary of the Interior Ickes, act only with his knowledge and approval in routine problems, and the other Cabinet members are for the most part literally secretaries conducting departments for the President.

So much direct control over routine matters, to say nothing of the many alphabetical agencies, would seem impossible, and would be if President Roosevelt did not keep going at a tremendous pace. His working day begins while he breakfasts in bed. Then come eight hours at his desk, which rarely pass without his seeing from fifteen to fifty callers, individually or in groups. Between these calls the President uses the telephone continuously, dictates scores of memoranda and makes uncounted penciled notes on a series of small pads neatly lined across his desk, each bearing a printed heading indicating the Cabinet officer for whom it is intended. At least four evenings out of seven are devoted to conferences and correspondence.

Many of our Presidents have served their four or eight years without undertaking a single policy as sweeping as Mr. Roosevelt's conservation plan alone, and that plan has no essential connection with recovery. But conservation, just as social security, would, on the basis of the President's previous political career, have been urged just as militantly had he been elected to office, say, in 1924. In any period, too, Mr. Roosevelt would probably have had a program affecting the electric industry or improving the lot of "stranded communities." It is, therefore, easy to imagine that even without the depression and its multi-

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ple demands, as many visitors would have trooped through the White House as today, and the lights in the President's study would have burned as late.

When to measures of reform is added the long list of what might be called extracurricular government activities—the old NRA, the PWA, the AAA, the HOLC, the FHA — one understands why Theodore Roosevelt, when compared with Franklin, seems a quiet personality. But this is not all, for our present Chief Executive has taken upon himself the task and responsibility of guiding the conduct of government routine and a determination apparently to know all the essentials about everything going on. At his press conferences he always seems ready to discuss even the most remote regional topics.

Every President is continually besieged by a motley crowd ranging from officials and prominent individuals with concrete problems to discuss, to cranks and theorists who feel that they could solve all the ills of the world if only they could reach the Presidential ear. They invade the lobby of the White House; they send telegrams and write letters which in the aggregate mount into the thousands daily. In addition, there are the everlasting demands for the President to dedicate memorials, to telephone greetings to conventions and meetings or to visit neglected political territory.

The problem might be easily solved by a few brusque refusals and the establishment of a set of rules that would ward off these demands on the President's time. But the White House, after all, is a political establishment, and those who run its affairs, from the President down, must be adept in the soft answer that turneth away wrath. The matter of patronage and equitable distribution of political favors has also to be seriously considered almost every week of the year, for important governmental posts that become vacant must be filled by Presidential appointment.

No President has ever been able to run his office as he chose, and accordingly each has had trusted counselors and friends, often without official position, to whom he could turn for advice. The man closest to President Roosevelt was removed from active work late last Winter when illness struck down Louis McHenry Howe. His successor has yet to appear.

The President's immediate assistants are Marvin H. McIntyre and Stephen Early, each having the title of Assistant White House Secretary; Mr. Howe is the first secretary. In general, Mr. McIntyre is responsible for Mr. Roosevelt's immediate personal engagements and the White House calling list, while Mr. Early supervises the schedule of future engagements and keeps in touch with the newspaper correspondents. Mr. Early's routine became so heavy that recently the White House staff was augmented by William Hassett, a former newspaper man, who was assigned to assist in relations with the press.

There are in addition the less important secretarial assistants who help in maintaining the White House schedule and in conducting the vast correspondence which each day must be acted upon. Not only correspondence, reports and suggestions go through their hands, but they also bring the schedule of personal appointments down to the limits of a working day. At the same time they switch other requests for interviews to appropriate department or bureau heads.

For more than two years President Roosevelt appeared to run his office

in a rather hit-or-miss fashion, because he wished to know what every bureau was doing. His days were consequently filled with appointments with various important officials. Now he is trying to dispense with a good many conferences of this kind, although their number has not yet been noticeably reduced.

Six months ago, as a first step, the President began to place many independent agencies under Cabinet officers, believing that at the regular weekly Cabinet meetings reports from them could be discussed and dealt with in relation to one another. This system, however, could not be applied in all cases. Mr. Hopkins's Works Progress Administration, for example, has had to stand alone, as have such bodies as the Federal Trade Commission, the Federal Power Commission and the Securities and Exchange Commission.

So long as these independent agencies are engaged in carrying out a far-reaching reform program, the President must maintain close personal contact with their officials. This he has done largely through thumbnail reports which he periodically receives. The reports are not official documents, but are brief memoranda. Delivered to the President's secretaries, they are placed in a large wire basket on his desk. At odd moments he glances through them, and at the end of the day the basket is taken to the residential quarters of the White House. Placed on a table beside the President's bed, it provides his reading matter after he has retired.

What is not reported in these memoranda is usually found in the half dozen newspapers through which Mr. Roosevelt skims before he gets up in the morning. As his nose for news and his memory are equally notable, he usually makes his own selection of the officials with whom to confer. Often the President's own appointment list, drawn up in this way, is so long that his secretariat has to turn away Senators and others who feel that they are entitled to call upon the President at any time.

If the President were able to play golf or tennis or to ride horseback, the history of his administration might conceivably be different from that which will eventually be written. But his need for exercise is amply met by a short swim and massage each evening; one or two short automobile trips a week apparently satisfy a natural desire to escape from the White House. For the rest he seeks only mental stimulus, and that he finds in work.

Whatever may be the final estimate of President Roosevelt, those in close relationship with him know that behind the famous smile he carries the realization of his job as one of tremendous responsibility. Impatient of red tape, he at times appears to give snap decisions, but this is because of the almost crusading zeal with which he tries to push toward that vague social goal—"the more abundant life." His friends say that he can always find half an hour to listen to plans for development of the social economy, but that he becomes most impatient when asked to settle squabbles in the government. Yet he has skillfully handled such problems—for instance, the differences between Secretary Ickes and Harry L. Hopkins, Works Progress Administrator, which for a time threatened the relief program.

The public apparently realizes the fast pace set by Mr. Roosevelt, for rumors of his ill health are ever recurring. It is an ancient human fallacy to believe that hard work must bring illness in its train. The fact that the President occasionally suffers from irritating but otherwise minor colds

does not alter the fact that his health is perfect. He gets tired, of course, and there have been many times when the lines in his face have deepened, but none knows better than Mr. Roosevelt himself when he is working too much. Whenever he reaches a definite point of fatigue he takes a vacation.

The President of the United States, whoever he may be, must perform three distinct functions. He must define policies to lay before Congress and the public; he must be an aggressive leader to push through and at the same time defend these policies; and he must be the administrative head of probably the largest business machine the world has ever known. With Mr. Roosevelt, all these tasks have been pressing and immediate. He appears at the moment to have reached a halting place in the development of policies, though none believes that he will stop permanently. For the next year he will be faced principally with the task of defending what he has done, projecting his program into its secondary phase and demonstrating, by speech and action, why he believes his program is better than any other that can be put forward. In this work, speech-making will play a prime part, and there is no field in which Mr. Roosevelt is more at home.

Probably his greatest intangible source of political strength is his personality combined with a speaking voice that has a ring of sincerity comparable to Bryan's but minus the oratorical artificialities. His speeches are notable for their brevity and pithy statement, and while many of them have reflected ideas and suggestions by Raymond Moley, they have in the last analysis been his own. The salutation "My Friends" was his own invention, and as an opening for Presidential speeches, in the light of his personality, it is easy to believe that it came as a natural greeting reflecting his own innate friendliness rather than as a deliberately prepared political gesture. He is, moreover, a homely talker. Seldom does he raise the tone of his voice, and there is no affectation in his delivery, which is always marked by a fairly slow and even flow of words. The simplicity of his manner of speech is a true reflection of himself, for he also likes simple foods and clothes and habits of living; he dislikes intensely occasions that force him to don formal clothes.

This does not imply that the President is an example of stodgy plodding in his public contacts, for he is known to his intimates for the faculty of "thinking on his feet." Some of his most effective speeches have resulted from an idea that occurred to him in the midst of reading a prepared manuscript, and, for that matter, he has yet to follow a prepared speech to its conclusion without digressing from the text to intersperse a phrase or clause here and there and often to insert whole paragraphs without disturbing the continuity of his talk. The White House files contain two versions of every speech but one the President ever has made, one the official text prepared in advance of delivery and the other a stenographic transcript of what he actually said.

The missing speech, made unexpectedly and on the spur of the moment, was one that caused a flurry across the country because of a chance thought that occurred to Mr. Roosevelt as he rose to respond on receiving a college degree. He had accepted an invitation to visit Washington College, on the Eastern Shore of Maryland, and receive the first honorary Doctorate of Laws awarded by the college since it had conferred this honor upon one of its founders, George Washington. The occasion was not to be marked

by a speech; none was prepared, and the President went to the college without his usual secretarial assistant who transcribes his speeches. But when the degree had been conferred Mr. Roosevelt was invited to make whatever remarks he saw fit. Without hesitation he launched into a discussion of the pioneer spirit on which the college was founded and went on to draw an analogy between the fearless work of the pioneers and the social pioneers of today who, he said, are shaping a better form of life. The ideas expressed in that speech, which exists only in the incomplete newspaper reports, were reflected in half a dozen subsequent speeches.

Yet it would be wrong to assume that President Roosevelt is in the habit of going off on tangents in his thinking so far as his speeches are concerned. Every resource of the White House is drawn upon in the preparation of his important pronouncements, and a final draft sometimes represents research not only by his staff of personal assistants but by experts in government departments and bureaus and, frequently, consultation with authorities outside official circles. Sometimes a suggested draft of a speech is submitted to the President by a dozen different advisers, but there is no one who can claim that he "writes the President's speeches." The final thought and the final form of expression are his own.

In political campaigns in which oratory is the ammunition, the President is, of course, the "big gun." As the campaign progresses his Cabinet usually scatters on carefully prepared tours in sections where each member has the greatest political influence; Senators and other impressive figures are marshaled by campaign committees and assigned topics, and members of the President's party running for election to the House of Representatives plow the field of their districts thoroughly, mingling promises of patronage with arguments in behalf of administration policies. The candidates for the House are probably the most important troops in the advanced line of attack, for their election is usually dependent to a large extent on the popularity or unpopularity of a President rather than, with a few exceptions, the personality of a candidate for Congress.

All that the Democratic orators will say in 1936 will be pitched to the key sounded by President Roosevelt. He himself will probably lean more and more between now and election on the advice of his tried political advisers, Postmaster General Farley, Attorney General Cummings and Secretary of Commerce Roper. His "brain trust" will elaborate ideas for social and economic changes, but political minds—including his own, for politics is his profession—will guide the public words and acts of the President and directly influence the arguments voiced by the host of other speakers. His own speeches will have a special stamp, however, for each will be a "keynote" address, prepared and delivered with the conscious realization that it will be printed in every daily newspaper in the country, reprinted in pamphlet form for distribution by friendly organizations and studied with microscopic care for loopholes by the opposition.

Italy's Balkan Game

By JOHN I. B. MCCULLOCH*

THE Balkans we have always with us. They may be forgotten for a while, but suddenly the unexpected occurs, and Southeastern Europe once more becomes the focus of world attention. Today popular interest is again shifting toward the Balkans, and for this Italian policy is responsible.

Behind Italy's policy in the Balkans are two general ideas. First, an exuberant expansion of the idea *Mare Nostrum*, which regards as Italian not only the Mediterranean littoral but even the Black Sea. It is possible to go even further. Francesco Bertonelli in his manual *Il Nostro Mare* (intended for the use of Italian naval officers) points to the Danube as a waterway intimately connected with the Black Sea-Mediterranean system. Thus the entire Balkan region is brought within the sphere of potential Italian interest.

Italians, furthermore, are convinced, or want to be convinced, that the Balkan countries are incapable of intelligent cooperation among themselves. The Italian expansionist points to ancient Rome as the only solidifying influence that ever brought peace to the peninsula. He adduces the Second Balkan War as a proof that sooner or later these nations will fall to squabbling. He is militantly skeptical of contemporary movements toward Balkan cooperation, and it must in all truth be added that such skepticism is frequently justified.

Italy's specific aims may be briefly summarized. Dominion of the Adriatic is a commonplace of Italian thought. Political control of the Dalmatian coast was promised, withdrawn, and remains a desired goal. Political ascendancy in Albania has not yet been followed by colonization. Do Italian designs include Corfu? The Greeks are convinced that such is the case, and Greece, as possessor of Corfu, is most directly concerned.

When viewed historically, Italian foreign policy is seen to point very definitely toward the eastern shores of the Aegean. There, on the Anatolian littoral, and specifically in Southwestern Anatolia, is an alternative field to African conquest. Until the present Turkish régime prudently consolidated itself in a compact area with an almost unmixed population, the Italians were given reason to suppose that they would share in the Asiatic portion of the Ottoman inheritance.

But the Italians came late. During the war they were twice given tantalizingly vague promises of Asiatic acquisition—a mandate over the Caucasus was even mentioned—but in the end they found themselves left out. Italy, however, retains the Dodecanese, a stone's throw away, and for the moment she remains content with a policy of watchful waiting. Kemalist Turkey is too strong to attack, but the Ghazi is not immortal (nor is the Duce, one reflects).

What is the exact interplay between expansionist policy in Asia and in Africa? A year ago people were watching the Balkan and Anatolian lands.

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Then appeared the African issue, but with such disconcerting abruptness that observers throughout the Near and Middle East were bewildered. A curious instance will illustrate the extent to which Italian policy lent itself to misinterpretation. At the time of the March revolution in Greece Italian orders were issued for mobilization in Africa. The Aegean buzzed with rumors. Was this African business a blind? Were the Italians mobilizing in order to exploit the possibilities raised by the Greek civil war? The civil war subsided and the African adventure developed into a matter of world preoccupation.

It is perhaps superfluous to observe that any issue involving Italy in one continent will be felt elsewhere, for Italian aims are various. They are not least important in the Balkans, where Italian influence is exerted under different guises.

The first among the positive instruments of penetration is the financial weapon, used with such conspicuous success by the French. That the Italians have been less successful than the French is due to several things, among them the fact that other lending nations were on the scene first and the distrust with which Italy is viewed by several Balkan countries. Nor does the state of Italian finance permit Italy to exercise as great a leverage as she might wish.

There is, of course, one outstanding example of Italian reliance upon financial pressure. Italian loans to Albania have been a real point of attachment between the two countries. How far does this financial assistance go toward justifying Italy's claim that she is bringing civilization to the Albanian people?

Concrete achievements there are in plenty, handsome bridges, for example, and road construction in the best Roman tradition. But the suspicion persists that a good deal of Italian money has been dissipated for purposes that



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have little to do with real Albanian interests. Pro-Italian politicians have had their share, and some of it has gone for purely strategic roads to the Yugoslav frontier. Much has been wasted by inefficient administration (as witness the abortive Tirana-Durazzo railway and the abandoned irrigation ditch near Kavaja), and much has been used for such spectacular but hardly necessary work as the elaborate Boulevard Zog in tiny Tirana, the Albanian capital. Perhaps such misapplication is inevitable in the circumstances. Besides the task of developing Albania economically, the Italians have had the delicate job of maintaining their own authority over a primitive yet intensely proud people who resent control.

Yet Italian hegemony is not quite complete. King Zog, who returned to Albania with Yugoslav support, has never finally committed himself to the Italian cause. It is thought by those who are closest to him that his own sympathies remain Balkan.

Italy has received occasional snubs. Italian schools, like Greek schools, were forced to close by the Albanian law nationalizing education. This law has only recently been vetoed by the League, as a result of formal Greek protest. Italians have not yet received permission to colonize the more desirable Albanian valleys. In addition, the Italians have long been trying, with conspicuous lack of success, to secure the removal of the British advisers to the Albanian gendarmerie. This small British group remains a partial counterweight to Italian control over the army. Finally, Albanians have not forgotten how fifteen years ago they "chased the Italians into the sea" at Valona, although the evacuation was due to post-war anarchy in Italy. But even today any difficult commitments elsewhere would render Italy's hold on Albania once again precarious.

Commercial penetration goes hand in hand with financial. Just because it is difficult to reconcile a successful commercial policy with the maintenance of political tension, so some observers believe that the close trade relations existing between Italy and Yugoslavia will sooner or later lessen the political rivalry. Italians have never lost sight of the importance of commerce, though like other nations their trade has been handicapped by the spread of economic nationalism. Italy hopes to make of the Dodecanese a base for commercial expansion, and has pursued in these islands a policy which, from the material point of view, leaves little to be desired. The most enthusiastic Greek irredentist will hardly deny that there have been material achievements of no mean value. Nor must it be forgotten that the Italian merchant marine is predominant in Balkan waters, a fact that has given pause to pan-Balkan propagandists who are discussing the possibility of linking the principal Balkan ports by means of a purely Balkan service.

Economic penetration is only half the story, and not the most striking. Of considerable importance are the intangibles to which Italy has had recourse. Thus she has exploited sentimental ties with Rumania by emphasizing the supposed Latin origin of the Rumanian people and dynastic connections with Bulgaria, where the Queen is a former Italian Princess. Throughout the Balkans Italian institutes and schools have sprung up, though they are not always gently handled by a jealous nationalism. Wherever possible, Italy has coupled, to her advantage, the double factors of geographical proximity and technological superiority. Thus radio sta-

tions in Bari, on the Italian coast, broadcast regularly not only in Albanian but in Greek. This is the only program in Greek which the citizens of Athens, Saloniki or Patras can hear. And a newspaper in Bari includes, thrice weekly, a page or two in the Albanian language.

To what extent does Italy in the Near East speak through Catholic propaganda? It is difficult to say. The method is hallowed by tradition, for the French have at one time or another exploited Catholicism for political purposes. The agreement with the Vatican undoubtedly gave Italy a highly favored position for pursuing a similar policy, and in cities such as Athens the overwhelming majority of Catholics are Italian. Yet there are evidences of friction. In Bulgaria, for example, the ambitious Istituto pro Oriente was founded by an Italian priest who soon found himself at loggerheads with Mussolini on matters of policy. Today the institute and the Italian Legation ignore each other.

Italy has jockeyed for prestige through an elaborate glorification of her own achievements. This has been strenuous work. The echo of Imperial Rome comes a little muffled through the centuries, and more recent history has not always been impressive. The effort, let us say, to magnify the seizure of Rhodes by an Italian force in 1912 appears absurd to those who recall the almost total lack of resistance on the part of the Turks.

But the Italians have safer ground on which to build their prestige. As long as they emphasize the personality of Mussolini, and that alone, they can be sure of satisfactory response. The disorderly Balkans regard the Italian leader with a grudging but genuine admiration. A Greek will hurl epithets at the Italians hour on end, yet admit freely that Italian prestige has soared, in immeasurable proportion, since the March on Rome. A symptom of the general reaction is to be found in the effect on individual men, in the development of minor Mussolinis. The Rumanian Averescu is considered a typical Balkan example. Another is the Greek Kondylis. The point can be overworked, but it is at least worth formulating. No less an authority than Arnold Toynbee has suggested that much of the subsequent French prestige throughout the Levant dates from Napoleon's audacious, if eventually unsuccessful, Egyptian campaign. By such bursts of imaginative daring is the Levantine mind captivated.

Italy is not content with mere penetration. She resists whatever is likely to counteract her aims and purposes, especially any movement toward Balkan cooperation.

In 1930 the pan-Balkan idea was given unity and definition when Alexander Papanastassiou, "Father of the Greek Republic," organized the Balkan conference. He contemplated a political, economic and cultural rapprochement among the six Balkan nations—Greece, Turkey, Bulgaria, Rumania, Yugoslavia and Albania. From the outset the conference suffered from Bulgarian revisionist spirit, from half-hearted cooperation on the part of the Albanians and from skepticism throughout the Balkans.

The conclusion early in 1934 of the purely political Balkan pact—to which Bulgaria refused to adhere and which Albania was not invited to sign—weakened the conference idea, especially in Belgrade. Greek internal dissension has further crippled the work of the conference, but its official journal, *Les Balkans*, continues to appear, spasmodically, and a flicker of the pan-Balkan spirit is kept alive.

So long as Balkan cooperation re-

mained on a purely academic plane, as in the case of the conference, Italy was not vitally affected, and limited herself to an ostentatious skepticism. When, however, an alliance emerged, of predominantly political character and of presumedly external and anti-Italian inspiration, Italy had reason to be alarmed. Such an alliance was the Balkan pact of 1934. Ironically enough, two of the countries represented, Turkey and Greece, were at one time considered fit material for a pro-Italian bloc, to which Bulgaria should also adhere. But the other two members, Yugoslavia and Rumania, are concurrently members of the Little Entente, a group which is believed to rotate in the French orbit. No wonder Italy suspected a French attempt to cut the ground from under her feet.

In discussing Balkan politics there is a tendency to make Italy appear the villain of the piece and France the hero. Italy is the disruptive factor, France the benevolent provider. This subtle distortion is gently encouraged by such a book as that of Jacques Ancel, *Les Balkans Face à l'Italie,* a work which is highly tendencious and hypocritical. Surely it will not be seriously accepted by anyone that France, with a deserved reputation for exacting her pound of flesh, is actuated by more altruistic motives in the Balkans than is Italy. Diversity of interests simply force the two powers into different alignments. And the resultant duel between France and Italy tends in the long run to postpone a permanent solution of the Balkan problem.

Until quite recently the Balkans seemed to be moving painfully and slowly toward political maturity, while at the same time there was an almost imperceptible movement toward pan-Balkan rapprochement. Behind the scenes a vigorous struggle for control was going on between Italy and France. Even after the widely acclaimed Franco-Italian understanding of last January it was difficult for Balkan observers to visualize a corresponding Italo-Yugoslav agreement or to expect a permanent settlement of Balkan interests between Rome and Paris. Then gradually other factors appeared.

Germany announced her intention to rearm, and took another step on the road toward recovering her pre-war position. Her commercial interests in the Balkans are far from negligible. Now her political influence, seeping through Central Europe, already touches the Balkans at several points. Germany must be reckoned with increasingly.

The most recent of all revelations, and the most spectacular, is the reminder that Great Britain still has a vital interest in the Balkan Peninsula. So unobtrusively have British Legations concerned themselves with the course of Balkan affairs that there has been a temptation to ignore or discount their existence. Events of the past few months have shown conclusively, however, that the Balkans are of desperate importance in any Mediterranean crisis.

Italian policy in the Balkans becomes utterly unpredictable in the face of a resurgence of German influence, a tightening of British pressure or an eventual return of Russia to the Balkan arena. In such circumstances only a miracle could establish or maintain Italy in undisputed control of the region. If, however, Italy could be brought to relinquish a purely predatory policy in favor of honest cooperation with the Balkan countries she would doubtless benefit as has no other great power from the gradual development of the peninsula. Is this too much to ask of statesmanship?

Danger From Austria

By W. WALTER CROTCH*

AUSTRIA'S refusal to fall in with all the other members of the League of Nations, except Hungary and Albania, in imposing economic sanctions against Italy becomes understandable when one considers what led to the coup d'état of Prince von Starhemberg on Oct. 17. Placid as this little Alpine country appears to be, actually beneath the surface there is an uninterrupted play of tumultuous and conflicting forces, out of which there has been growing a positive danger to European peace.

Thanks to the steady assistance furnished by the League of Nations, Austrian finances have improved. The currency is stable and the spectre of inflation has been banished. The success of Austrian tourist propaganda in England, France and other countries has resulted in a steady influx of foreign money. Certain industries appear to be flourishing, especially those connected with armaments and military supplies. At present Leopold Mandl, who controls that part of industrial activity, is turning out millions of cartridges for Italy. In Wiener Neustadt new works were recently opened for the construction of aeroplanes and gas masks. Canned goods factories have been working in three shifts night and day, ostensibly for the Italian army. It was these advantages that determined the Austrian attitude at Geneva.

But Austria realizes that these advantages are merely temporary, for her basic general economic condition is still unsound. There is not the slightest sign of an increase in the purchasing power of the people. Notwithstanding the clumsily doctored official statistics, unemployment is not diminishing. The peasants are groaning under their load of taxation. The middle classes are sinking still lower. Such tests as social insurance and savings bank deposits show that though a few highly centralized and partly foreign owned industries are active, the Austrian economic level remains dangerously low.

In the earlier part of 1935 it was fairly safe to say that the present régime, although fiercely opposed by about 80 per cent of the population, had a chance of survival because this 80 per cent was split into two hostile parties of roughly equal strength—the National Socialists and the so-called Reds, the latter being further divided into factions of irreconcilable Communists and militant Socialists.

Recent months have witnessed a gradual shifting of these political forces. The National Socialists lost ground heavily, partly because of the proclaimed non-success of the German experiment and partly because of the incapacity and alleged corruption of the local Nazi leaders. Thus the Austrian Nazis became fundamentally demoralized. Thousands of them either lapsed into political inactivity or, in disgust, threw in their lot with the Reds. As a political unit the Austrian Nazis became utterly incapable of causing real trouble.

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Their enfeeblement obviously meant increasing the strength of the Reds. The fusion in July, after long and difficult negotiations, of the Communist and the Social-Democratic illegal trade-union organizations had a tonic effect upon the whole of what is popularly known as "the advanced movement." The illegal trade unions, in most industrial districts, are undoubtedly much more powerful and levy greater tolls than the official trade unions formed by the government, membership in which is an indispensable condition of employment. While cheerfuly finding dues for the illegal unions, workmen stubbornly refuse to pay their contributions to the government organizations and in many cases their employers are compelled to pay for them. In this and other ways the workmen are showing signs of increased combativeness, and in some cases they have resorted to strikes and "passive resistance," even at the risk of prosecution and severe penalties.

This unity of the Reds in trade-union affairs has had an important effect in the political field. It has resulted in closer cooperation between the Communist and the Socialist parties, and it is now acting as a powerful magnet to the Christian workingmen, who had hitherto held aloof from the extremist factions. The Red leaders have adroitly altered their tactics; they have now adopted the French Popular Front as their model. They hope gradually to create a single powerful cohesive opposition to the government by bringing together the Communists, the Socialists, the "bourgeois" Liberals, the Christian trade unionists, the dissident sections of the old Christian Social party and the malcontents who have deserted the Nazis. Some part of that program they realized in the early Autumn.

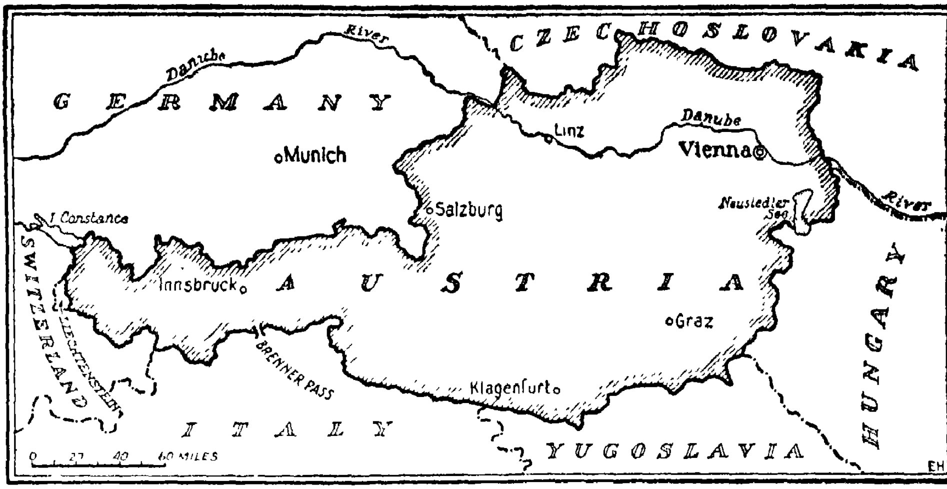
The position of the government was naturally weakened by this shifting of forces within the opposition camps, and Chancellor Schuschnigg found that he could not hope to continue the old game of playing against each other two equally strong antagonistic groups. But the government also suffered from dissension among its own component parts and bitter personal antipathies within the Cabinet itself. Before the October coup d'état the government forces, small as they were, comprised groups with varying aims, jealously watching each other, sometimes even sniping surreptitiously at each other. They were:

1. The Clerical group headed by Chancellor Schuschnigg with the armed force known as the Ost Maerkische Sturmscharen as its main buttress and with Cardinal Innitzer and the Vatican in the immediate background.

2. The Fascist group led by the Vice Chancellor, Prince von Starhemberg, its stand-by being the Heimwehr, with Mussolini held up as its inspiring ideal.

3. The Christian Democratic group, with the Freiheitsbund (which the government did not succeed in abolishing) and the Christian trade unionists. Their leaders, Kunschak and Winter, are men of integrity but appear to lack political skill. Popular prophecy avows that this group is fated to take its position in the Austrian Popular Front.

4. The German National group, which calls itself National Action and is composed of members of the former Agrarian and Great German parties. Although not ostensibly Nazis, they have strong affinities with the Nazis, are anti-Italian, anti-Clerical and anti-democratic. They remained quiescent for a long time, but in August with the assistance of von Papen, German



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Minister to Austria, they suddenly reappeared upon the political stage.

The demands of this last-named group were expounded by Governor Rehrl of Salzburg to Chancellor Schuschnigg at a secret conference held in Schloss Fischhorn in the Tyrol on Aug. 2, with von Papen supporting the advantages of these demands by making abundant promises on behalf of Hitler. Briefly, the demands were: Permission to conduct German propaganda openly, instead of secretly, and to raise an armed force; abstention from all anti-German diplomatic activity on the part of the government; the reconstruction of the Ministry (not immediately but in some months) so as to give it a pro-German character. Schuschnigg, Starhemberg, Berger-Waldenegg, Stockinger and Neustädter-Stürmer were to be ousted and replaced by "nationally minded" men.

Fey was originally included in the list of prospective sacrifices, but he subsequently made his peace with the Nationalists and was promised the portfolio of War in the proposed new administration. This is significant in view of what happened later. In the contemplated new Cabinet Governor Gleissner of Upper Austria was to be Chancellor, while among the Ministers were going to be Rehrl himself, Hueber (Goering's brother-in-law), Professor Srbik, the Germanophile historian, and State Secretaries Funder and Karwinsky.

Von Papen's promises included the cessation of all revolutionary activities on the part of the Austrian Nazis and various economic concessions and finally large armament orders for Austrian industry. Schuschnigg is reported to have broken up the conference after a violent altercation. Yet a few days later his government began to act on at least some of Rehrl's demands. A press conference was summoned at which it was made clear by the government that the Austrian newspapers must in future refrain from all criticism of the German leaders and of German institutions. Anton von Rintelen, recently sentenced for participation in the abortive Nazi rising of July, 1934, was promised early release and a number of Nazi political prisoners were set free. The "feud in the air" that had for two years embittered Austro-German relations was terminated by an agreement whereby

German radio programs were to be broadcast in Austria and vice versa.

The insecurity felt by the Austrian Cabinet as the result of these developments was illustrated by what happened on the day when the League Commission of Five terminated its report on the Ethiopian dispute. At 2 P. M. a message reached Vienna from Rome intimating that Mussolini had decided to withdraw from the League. Half an hour later a message reached the government from the frontier to the effect that suspicious movements of the so-called Austrian Legion could be observed on the Bavarian side of the border. The Cabinet was hastily summoned and aeroplanes were held in readiness for the immediate flight of the Ministers and their families. When, however, the Chancellor telephoned to Rome and was informed that Italy was not leaving Geneva the excitement subsided and the aeroplanes were put back in their hangars.

Personal factors have further impaired the strength of the government. Chancellor Schuschnigg, an upright and deeply religious man, within a month lost both his wife and his mother, and the accident that proved fatal to his wife gravely affected the health of his little son. The Chancellor persuaded himself, so his intimates aver, that this series of tragedies was a sign of divine displeasure, and was dissuaded from resigning only by the exercise of great pressure on the part of President Miklas and Cardinal Innitzer.

Then, too, a shadow was cast upon the administration by allegations regarding the relations of Minister of Commerce Stockinger with the important commercial firm of Gabler & Co. The connection has never been proved to be anything but innocent, but the distortions of popular gossip, persistently repeated, had a bad effect.

The most extraordinary case has been that of Major Fey, in some respects the dark horse of Austrian politics. He was the head of the Heimwehr in Vienna, but apart from being long suspected of Nazi sympathies he was more than suspected of intriguing against Starhemberg, the supreme chief of the Heimwehr. Some months ago Dr. Kreisler, a Viennese lawyer, who now resides in Czechoslovakia, published an elaborate treatise on how Chancellor Dollfuss met his tragic end. Kreisler makes the monstrous charge that Fey was privy to the plot which led to the Chancellor's assassination. Fey declined to institute proceedings, but his colleagues in the Cabinet took the amazing step of ordering an inquiry into the charge, while indicating their belief in his complete innocence by retaining him in office.

The incidents that have been mentioned might be dismissed as merely idle or malicious gossip. But no chronicle of the political life of the Austrian capital would be complete that did not register these facts and opinions as the firmly held convictions not merely of the man in the street but of solid, sober, educated people, who pointed to them as proving the utter lack of cohesion and stamina that characterized the government. Such, at any rate, was the atmosphere in Vienna early in October. The situation was all the more dangerous because war clouds seemed to be gathering on the European horizon. It was felt that something radical must be done. And suddenly, very unexpectedly, Prince von Starhemberg, the Vice Chancellor, took drastic and swift action.

Starhemberg is a gifted young man who has never been taken seriously enough by his opponents. For that he himself is partly to blame, because he

believes he can keep his public and private life in watertight compartments. The liveliness with which gossip, rightly or wrongly, invests his affairs of the heart detracts from the seriousness of his political standing. When that curiously assorted pair, Herr von Papen and Governor Rehrl, in their interview with Chancellor Schuschnigg demanded the removal of Starhemberg, they completely underestimated that young man's strength of purpose.

Not for the first time, Starhemberg proceeded to turn the tables upon his adversaries. Instead of their ousting him, he ousted them. Fey, Funder and Karwinsky, the three members of the government who were in touch with the Fischhorn Castle conspirators, were unceremoniously removed from office. The other pro-German candidates for power, Gleissner, Rehrl, Hueber and Srbik, were of course left in outer darkness. The opportunity was seized to get rid of Neustädter-Stuermer, a Minister who, although loyal enough, was a source of weakness rather than of strength. Ex-Chancellor Buresch, who was retained in the Cabinet without portfolio, was removed from the Finance Ministry because of his misgivings regarding Austria's refusal to adopt sanctions against Italy. The new men appointed were stanch adherents of Starhemberg. There can be no doubt that the Cabinet gained in solidity by the dramatic reconstruction it underwent.

But these personal changes are merely symbolical of a new political method. Hitherto the Austrian Government had been based upon a conglomerate of conflicting factions and their respective armed forces. Now the attempt was to be made to fuse this conglomerate into a solid bloc, with the various armed forces merged in a national militia. The reshaped Cabinet still includes two parties—the Clericals under Schuschnigg and the Fascists under Starhemberg—who have called a truce but are in aims and sympathies far from united. And it may be doubted whether the individual members of their armed forces will alter their political convictions when they doff their distinctive uniforms and exchange them for the uniform of the national militia. Nor does it seem likely that the confirmed Nazis or the obstinate Reds will soften or abate their hostilities because the enemy has reorganized his forces.

The Starhemberg coup cannot in any case be lightly dismissed, for it is important in both its internal and its international effects. Good Austrian patriot that Starhemberg is, he is also an enthusiastic follower of Mussolini; rightly or wrongly, he is convinced that the Fascist way is the only way not only for Italy but also for Austria.

Austria's present connection with Italy raises two questions that in coming months may decisively affect the international situation: Henceforth, what will be the relations between Austria and the Western powers that are the main buttress of the League of Nations? Of what nature will be Austria's relations with Germany?

Since under Starhemberg's rule Austria is practically a vassal State of Fascist Italy, the answer to the first question depends on the future relations between Italy on the one hand and Britain and France on the other. That at this moment rests in the lap of the gods.

The answer to the second question depends partly upon the answer to the first. But there are signs and portents. The military power of Germany has increased enormously, is increas-

ing, and is likely to go on increasing. Italy looks like having her hands full in East Africa for a quite indefinite period. Mussolini's declaration that no matter what happens in Ethiopia he will still have abundant men for the Brenner was received with mild skepticism in Vienna. The much-talked-of Danubian Pact is still only in the discussion stage. The relations between Italy and the Western powers, in the combined action of which Austria saw her surest guarantees, are anything but harmonious today. The line of least resistance is shifting. Herr von Papen is not slow in pointing out how it is shifting. Before the eyes of a discontented Austrian population he dangles a German policy of benevolence that would, under a camouflaged pro-German administration, act as a bridge between Rome and Berlin and as the cement in a new Central European bloc, composed of Germany, Poland, Hungary, Italy and Austria.

Starhemberg's October coup was directed ostensibly against German intrigues. But he cannot afford to ignore the changing situation. The fact that he refuses to open the door of the Austrian Cabinet to Nazi or German-minded politicians is no bar to his working with Germany in the field of foreign policy. After all, he is caught in the Italian entanglement. For Italy's sake he risks estrangement with the League and the Western powers. But in the long run Italy cannot stand alone and in Starhemberg's personal entourage—to say nothing of that of Foreign Minister Berger-Waldenegg—there are influential voices urging the desirability of making Austria the bridge between Berlin and Rome. Starhemberg would not be true to his own cherished political convictions were he to reject the idea that Austria should become the cementing force binding together a mighty bloc of Fascist States: Italy, Germany, Hungary and possibly Poland. That way lies danger—danger for the peace of Europe.

Here we touch the vital lesson of the Austrian experiment. The League and the Western powers for several years past have kept on pumping the oxygen of financial and moral support into an almost moribund nation in an attempt to give its present makeshift régime a semblance of life. At the first test the futility of this policy is becoming evident. From the Western point of view the present Austrian State is a hollow sham. It has neither the cohesion requisite to take a decision nor the strength necessary to carry a decision into effect. Even with the comparatively resolute Starhemberg at its head, it will take the line of least resistance and that line is to remain pro-Italian while becoming also pro-German. Austria is a gate. The moment that gate is open, the cohorts of German militarism will pour through it and through Hungary and the Balkans and knock imperiously at the door of the Orient. That means a recurrence of the 1914 situation with all its tragic consequences.

If things should take this course, the blame will fall on those statesmen who failed to distinguish between Austria and the existing Austrian régime. An Austrian monarchy, an Austrian parliamentary republic or any form of Austrian State that is based upon the support of the Austrian people would be a guarantee of European peace. But an Austrian régime that has roots neither in history nor in the nation, that is obviously adrift, that is compelled by inexorable circumstances to adopt the line of least resistance, that has neither stamina nor political nor industrial nor economic strength, is and will remain a positive danger to European harmony and peace.

Mackenzie King Comes Back

By FREDERICK A. ACLAND*

IN the study at Laurier House in Ottawa William Lyon Mackenzie King is awaiting the returns from the general election. It is Oct. 14, 1935, and on this day men and women throughout Canada have gone to the polls. Soon the radio will begin to tell how the ballots were cast.

Awaiting election returns is no new experience for Mr. King. More than a quarter century ago he ran for Parliament, and in every general election since then he has been an interested participant. He was Premier of the Dominion during the difficult post-war Twenties; will his party now gain power and again carry him into the Premiership?

There have been defeats in the past. Three times he has lost elections, and for eight eventful years, including those of the war, he remained out of Parliament. Then in 1930, after a brilliant period of office, he was again pushed aside when a Conservative landslide ended the Liberals' precarious hold on the government and gave Dominion leadership to R. B. Bennett, a wealthy Western lawyer, whose position in Canadian political life had up to that time seemed far less distinguished than Mr. King's. The defeat in 1930 was a cruel blow, but as the lean years came, each worse than its predecessor, it began to appear that destiny had a kindly side.

These dark years, it is safe to believe, will be associated in the public mind and in history with the Bennett administration and not with the Mackenzie King régime, which from 1921 to 1930 had been marked by continually increasing prosperity. At any rate, the decision of the voters will soon be known. It is sundown and balloting has already ceased in the Provinces along the Eastern sea; shortly it will be over in the Western Provinces as well.

It has been a great campaign. Mr. Bennett has poured out radio and platform addresses that told what his administration had or had not done, and still more what it would or would not do during the next five years. Social reform, the subject which has long been connected with the name of Mackenzie King, appeared suddenly to appeal to Mr. Bennett. As the general election drew near he mixed a Gargantuan dish of all that had hitherto been anathema to a Conservative stomach—minimum wages, shorter working hours, unemployment insurance, health insurance, and what not —and rushed some legislation through at the last session of a dying Parliament as an earnest of the greater efforts to come if he remained in office.

Presumably Mr. Bennett's followers in Parliament, as well as in the country at large, have found it impossible to digest all this strange legislative food, food which their leaders in the past had never allowed them to touch. The charge was commonly made, sometimes but half seriously, that Mr. Bennett had converted the Premiership into a sort of dictatorship and had not bothered to consult his col-

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leagues on matters of the highest importance. There is much to show that as Prime Minister he frequently found it difficult to draw an absolute distinction between dominating and domineering.

The contest, however, has not been confined to the two old parties. Mr. H. H. Stevens, a former colleague of Mr. Bennett, disagreed with him publicly, left the government and started the Reconstruction party. His party has run candidates in two-thirds of the constituencies, and his vigorous campaign and enthusiastic gatherings have had an ominous appearance. Mr. Woodsworth, an old-time philosophic Socialist, has also organized a new party and entered candidates in many ridings, particularly in the West. Mr. Woodsworth has a sure seat in Winnipeg, and his party will probably capture a few additional seats. Finally, the Social Credit party, which had but lately in a brilliant coup captured the government of Alberta by promising that fifteen months after taking office it would begin paying a monthly bonus of $25 to every adult resident in the Province, has run numerous candidates in the three westernmost Provinces.

In all, there are 896 candidates for 245 seats. The Liberals, who in the old Parliament held slightly over a third of the seats, have not held an actual party majority in the House of Commons since Sir Wilfrid Laurier's defeat in 1911. Can they now hope, with the confusion of issues and multiplicity of parties, to defeat Mr. Bennett and the Conservatives?

Mackenzie King, chatting with a few personal friends gathered with him to listen to the returns, appears in fairly robust condition. He, too, has been through a strenuous campaign and shows signs of a natural fatigue. A decided portliness which for a while marked his physique has disappeared, and he remains, in his sixty-second year, a sturdy figure, somewhat under middle height. A pleasing graciousness has always stood him in good stead, and while neither he nor Mr. Bennett has the gift of great oratory, both are, it is hardly necessary to remark, capable speakers. Mr. Bennett's manner is blunt and unpersuasive; Mr. King's a little academic.

Mr. King's study contains not only the books that would naturally be assembled by a cultured man given equally to letters and to action, but treasures of a rarer kind—illuminated addresses from civic corporations and all sorts of other organizations in Canada, gold and silver caskets from famous cities in Great Britain carrying the freedom of the city, and countless other tributes that come to a prominent public figure. Of all the treasures to be seen, that which probably lies nearest to Mr. King's heart is a marble bust of his mother, Grace Mackenzie King, the memory of whom is among the most precious of his possessions. There are no hunting or golfing trophies in the study, for Mr. King is not a sportsman. He rides, but he neither plays cards nor smokes.

A man fond of country life, he owns a rather extensive estate near Ottawa. There also is his Summer home so far as the duties of public life permit. Laurier House, Mr. King's Ottawa residence, will be his home so long as he remains leader of the Liberal party, for it was left by Sir Wilfrid Laurier as a residence for whoever may be the Liberal chieftain. It is a handsome and commodious mansion, but in no sense palatial.

When Mackenzie King went to Ottawa in 1900 to enter the civil service he was 26 years old. Born in 1874 at Berlin (later renamed Kitch-

ener), Ontario, he was graduated in 1896 from the University of Toronto, from which his father, John King, K. C., had been graduated years before. Mackenzie King later studied at the University of Chicago, residing for a time at Hull House, and afterward did post-graduate work at Harvard. A Harvard traveling fellowship took him to Europe for an investigation of social problems, and during that period he spent some time at the Passmore Edwards Settlement in London. Upon his return to Canada he did a little newspaper work in Toronto. Then he was ready for government service.

Sir Wilfrid Laurier, Canada's great Liberal leader, was from the first attracted to young Mackenzie King. After learning that the new official looked to the civil service chiefly as preparation for a public career, he began to watch him closely. Quickly Laurier marked down King as a man qualified especially not only for public life, but also perhaps for leadership of the Liberal party.

Although Laurier did not divulge his ideas to Mr. King himself, he spoke quietly of them to those then in his counsel. Seven years after Mr. King's arrival in Ottawa he was invited to a seat in the Laurier Cabinet as soon as a constituency could be found for him. Delay in securing a seat deferred until October, 1908, the change from civil service to public life. Mr. King's appointment as Minister of Labor followed a few months later. Prophetic insight was surely among the rare gifts which combined to lift Laurier to a high level of statesmanship, and it was never more brilliantly exercised than in his forecast of Mackenzie King's future and in the opportunities he gave the young civil servant for self-development.

It is not, however, quite fair to give the impression that Mr. King's ambition to enter public life was a desire for self-aggrandizement. No doubt motives are mixed in most human undertakings, but public service in Canada has not as a rule led to wealth or glory. Nothing short of an entire reconstruction of the whole social order was the captivating ideal which simmered in the young statesman's mind —the creation, in short, of conditions that would better the condition of the masses, a large degree of self-government for industrial workers, the removal of the strike and lockout as factors in industry, technical education, health insurance, old-age pensions, fair wages and proper working conditions, shorter working hours, unemployment insurance, widows' pensions, maternity and infant benefits and any other measures that would tend to ameliorate the ills of modern society.

But practical statesmanship has its limitations. A new social order cannot be created in a flash. "Hasten slowly" is a wise precept. Mr. King made a good start, had indeed made a start even before leaving the civil service, since in the capacity of Deputy Minister of Labor he had secured the enactment in 1907 of a statute for the elimination, in part at least, of industrial warfare. This legislation was widely praised abroad as well as at home.

But in 1911 the Laurier government was defeated at the polls on matters remote from those with which Mr. King had to do, and Mr. King was not only out of office but out of Parliament. His private means were limited, and though unmarried then, as now, circumstances had placed on him severe domestic obligations which he could not and would not overlook. Early in 1914, as a result largely of the reputation he had earned by suc-

cessfully adjusting industrial disputes, Mr. King was invited to become Director of Industrial Research of the Rockefeller Foundation. The next two or three years were spent preventing or settling industrial disputes in the United States.

Mr. King, though out of public life, closely watched the political situation in Canada and awaited an opportunity to return at least to Parliament. His acceptance of the Rockefeller Foundation position was conditional upon his being allowed to reside in Canada, although his work would necessitate some absences in the United States. It was during this period that Mr. Mackenzie King gathered the material for his principal book, *Industry and Humanity,* the expressive and appealing title of which shows how strongly he yet adhered to his earlier ideals of human betterment. The subtitle of the volume is *A Study in the Principles Underlying Industrial Reconstruction,* the book being in fact a manual for social legislation.

Mr. King has realized from the first that under the Constitution of Canada, save by agreement between Dominion and Provinces, legislation relating to social problems falls chiefly to the Provinces. This is not to say, Mr. King has contended, that the Dominion must in such matters remain necessarily inactive, but rather that the objective can be best attained, not by an autocratic assumption of authority by the Dominion, but by friendly consultation and cooperation with the Provinces.

On this last point it may be noted that one of the striking incidents in the electoral campaign was a radio broadcast of good-will messages to Mr. King from the heads of the government of eight of the nine Provinces of Canada; the only Province not so broadcasting was Alberta, and its abstention was due simply to the fact that it had gone Social Credit. In reply Mr. King reiterated his announced intention, if called to the Premiership, of bringing about a Dominion-Provincial conference to tackle the crucial problems of unemployment and relief. These matters and the lowering of the tariff are in fact the outstanding features of the Liberal policy. Mr. King has repeatedly insisted that the high tariff maintained by the Bennett government shackles trade and prevents economic development.

But the evening is passing. The returns are coming in faster than ever, even from the Far West. In innumerable households groups are listening to the verdict. There has been no uncertainty about the result since the earliest returns, when one member from New Brunswick was declared the sole supporter for Mr. Bennett from the three Maritime Provinces. A Liberal sweep is certain. Long before 10 o'clock the Bennett government has disappeared; the majority of Mr. Bennett's Ministers have lost their seats; practically all the Liberal chieftains are returned by good majorities, as is also Mr. Bennett himself.

Mr. King and his followers have by midnight secured about 170 seats out of 245, the largest majority ever obtained by any government in Canada; Mr. Bennett has retained but 40 seats. Mr. Stevens holds his seat out in faraway East Kootenay, British Columbia, but not one of his 170 candidates has scored a victory. The followers of Mr. Aberhart have elected 17 Social Credit members, chiefly in Alberta, and Mr. Woodsworth's party has elected 8. A few scattered Independents complete the roll. Soon after 11 o'clock Mr. Bennett, Mr. Stevens and Mr. Woodsworth admit defeat. Mackenzie King is about to assume again the Premiership of Canada.

Eastman of the Railroads

By RALPH G. SUCHER*

JOSEPH B. EASTMAN has pushed through Congress since 1933 the major part of a plan to bring American transportation under unified control. For sixteen years a member of the Interstate Commerce Commission, he is now as Federal Coordinator extending its regulatory power from the railroads to all interstate carriers by highway, water and air. This program profoundly changes the functions of the commission and launches the United States Government in the regulation of transport upon a greatly enlarged scale.

When Mr. Eastman went to Washington in 1919 to take his place on the Interstate Commerce Commission he was 37 years old. Even then he had had considerable experience in the study of transportation, for he began his career in this field in 1906. He has never left it. Born at Katonah, N. Y., in 1882, he attended Amherst College, from which he was graduated in 1904. Two years later at Boston he became secretary of the Public Franchise League.

Since Eastman's appointment as coordinator, he has more than once referred to the "liberal education" he received in Boston. The members of the league, he recalls, busied themselves, "without any special axe to grind, studying important questions with regard to railways and public utilities and presenting their views to the Legislature and the commissions." Among his associates during his seven years with the league were Louis D. Brandeis, Dean Roscoe Pound, Dr. Morton Prince, Edward A. Filene and George W. Anderson, later Interstate Commerce Commissioner and Federal Judge. Eastman was a member of the Massachusetts Public Service Commission from 1915 until 1919, when President Wilson, at the suggestion of Mr. Brandeis, appointed him to the Interstate Commerce Commission.

During the years that have passed he has steadily become a more and more influential figure. Before Congressional committees, as in conference, he is sure-footed, straightforward, armed with facts. He is more familiar with legislative procedure than most of the members on Capitol Hill—only fourteen members of the present Senate were in their seats when he began his tenure in Washington.

Mr. Eastman has served under Presidents Wilson, Harding, Coolidge, Hoover and Roosevelt, frequently finding himself at odds with the administration in power. But a long term in office has not dulled his enthusiasm or made him cynical. "It is a common belief," he has said, "that the desire for financial gain is the only motive which will impel men to their best endeavors. I challenge that tenet wholeheartedly. I was brought up in a minister's family, I have enjoyed the friendship of doctors, school teachers and professors, and I have had an opportunity to observe men in public life as well as many engaged in private business. It is my profound conviction that the best things which have been done

*Mr. Sucher studied transportation in Washington from 1919 to 1934, and has written widely on the subject.

in the world have been impelled by higher motives than the desire for gain."

Many of the problems the coordinator faces today had their roots in the post-war period when Congress debated the legislation that was to govern railroad policy well into the depression. Wartime control of the roads by the Federal Government was drawing to a close. Director General McAdoo and his successor, Walker D. Hines, proposed a further test of government operation under peace conditions. In a letter to a Senate committee a few months after he took office in 1919, Eastman emphasized the need to insure necessary capital for the railroads at low cost, to avoid unduly high rates, to obtain operating advantages from unification, and to promote good relations with labor. "There are grounds for criticism of operation and policy since the beginning of Federal control," he conceded, "but none of them justifies the conclusion that national operation is unsound or that it ought to be abandoned."

Over the stubborn opposition of a small minority led by the late Senator La Follette, Congress returned the roads to private operation with the passage of the Transportation Act of 1920. This law introduced a new rule of rate-making, for it directed the Interstate Commerce Commission to maintain rates yielding the carriers as a whole a return of not less than 5½ per cent. The commission immediately ordered a horizontal increase in rates. The 1920 rule of rate-making remained in force until 1933, when Congress repealed it in the act creating the office of Coordinator.

Nearly 1,200 cases were decided by the commission in formal reports from 1919 to 1933. In more than half of them Mr. Eastman has dissented, in whole or in part. Altogether he has written about 400 dissenting opinions, while the commission, in more than 200 cases, has adopted his report as the majority view.

Probably no other man in public life has written so extensively on transportation problems. His decisions, phrased in a lucid style, free from railroad jargon, reflect an unusual power to assimilate complex facts and to present them simply. A consistent thread runs through his decisions. He has condemned control of the railroads by holding companies, criticized fees and charges paid out in the reorganization of bankrupt carriers, and again and again since 1920 he has urged the policy he emphasizes as Coordinator—that the roads must modernize their rates and services to keep pace with newer forms of transport.

The rate increases of 1920 coincided with the advent of motor vehicles as lusty competitors of the railroads. Large industries began to provide their own transportation with private fleets of trucks and spread their plants and warehouses to avoid high rates. The Coordinator's surveys disclose even more striking changes in American travel habits. From the peak of 47,000,000,000 passenger miles in 1920, travel on the railroads had declined steadily to 16,000,000,000 in 1933, when it was no greater than in 1900 and, measured by per capita expenditures, was less than in any year since 1871. Meanwhile, intercity travel by private automobile rose from 7,000,000,000 passenger miles in 1920 to 185,000,000,000 in 1933. The highway bus, in the latter year, carried one-third as much traffic as the passenger train.

Railroad passenger revenues, which amounted to $1,304,000,000 in 1920, fell to $875,000,000 in 1929, and to $329,000,000 in 1933; freight revenues of $4,420,000,000 in 1920 had increased

The Decline of the Railroads

	1920	1929	1933
Revenues from passengers	$1,304,000,000	$875,000,000	$329,000,000
Revenues from freight	$4,420,000,000	$4,899,000,000	$2,528,000,000
Dividends paid	$331,000,000	$560,900,000	$158,800,000
Number of employes	2,075,000	1,694,000	990,000

slightly by 1929, but by 1933 fell to $2,528,000,000. This enormous loss in revenues, accelerated by the depression, was accompanied by a decline in railroad employment from 2,075,000 in 1920 to 1,694,000 in 1929, and 990,000 in 1933.

The impact of the revolution which had taken place in American transport since the World War was being felt when Mr. Eastman was appointed Coordinator by President Roosevelt in June, 1933. With one-sixth of the railroad mileage of the country passing into the hands of receivers or trustees, the railroads, always a barometer of general business activity, had fallen to a lower state than any other major industry. Professor Winthrop M. Daniels of Yale, a former colleague of Mr. Eastman on the Interstate Commerce Commission, has estimated that with the market value of railroad equities sunk to about $2,350,000,000, a little over $1,000,000,000 would have sufficed to secure government control of the railroads. Writing in CURRENT HISTORY for January, 1935, he said: "Had the extreme New Dealers had the imagination and audacity which prompted Disraeli to buy the Suez Canal shares for Great Britain or which moved Jefferson to buy Louisiana for the United States, they could have achieved government control of all railroad properties in the United States, and Congress would have fallen over itself in its haste to ratify the acquisition."

Did the administration pass up the greatest transportation "bargain" in history? Or did Eastman, the dissenter, under a crushing burden of responsibility, shrink from the supreme test of his theories of government ownership? The act of June, 1933, submitted to Congress by President Roosevelt with Mr. Eastman at his elbow, gave the Coordinator no authority to take over the railroads. It did, however, invest him with unprecedented power to recommend plans to Congress as a basis for permanent legislation.

In his first report, in January, 1934, he outlined a plan for government operation but, while declaring that "theoretically and logically" it met "the known ills of the present situation better than any other remedy," he did not recommend its immediate adoption. Early this year at a meeting of railroad employes, who have strongly favored government operation, he opposed it on the ground that public opinion at that time was lacking to protect it against the "peculiar temptation, under present conditions * * * to utilize the railroads, beyond the limits of any sound plan, as a convenient means of re-employment, or of resuscitating the capital goods industries."

Eastman has taken seriously the duty imposed on him by Congress to devise measures to eliminate waste and duplication. The surveys he began in 1933 have suggested many

changes which would vitally affect the railroads whether they remain under private operation or pass to government control. With a small staff and limited funds, the Coordinator has directed laborious researches into railroad operation, service, equipment and rates. These surveys have produced specific and detailed plans for the better handling of passenger, merchandise and freight carload traffic; pooling of cars; joint use of terminal facilities; standardization of equipment, materials and supplies; improved purchasing methods; and the establishment of a centralized railroad bureau for scientific research. Not a few of the changes proposed have been branded as "visionary" and impracticable. But the searchlight thrown upon methods calling for modernization has had provocative results.

It has been disclosed that the average passenger train, weighing 500 tons, carries but fifteen tons of goods and four tons of passengers. Freight trains, on the average, pull two tons of dead weight to every net ton of freight. The Coordinator has recommended a new type of lightweight passenger car, motor-driven, capable of being operated singly or in trains to meet the actual needs of traffic. His staff has blue-printed the ideal freight car "not of the future but of today: strong enough to drag one thousand times its weight * * * insulated, coolable and heatable * * * speedy in terminals as well as on the road; accessible for loading and unloading from any one of its six sides; and transferable from rail to highway chassis vertically, longitudinally and laterally."

As a means of stimulating rail travel and adapting the service to present-day conditions, the surveys suggest such innovations as abolition of tipping on trains and in stations, collection and delivery of the passenger's luggage, transport of his automobile for an extra fare, and consolidation of depots and ticket offices. "I have been convinced by these studies," Mr. Eastman declares, "that there are large opportunities for improving railroad operation, services, equipment and rates in ways which will not only save expense but add materially to traffic revenues." The motor vehicle has so increased the travel habit of the American people, as he sees it, that the railroads can draw upon a great reservoir of traffic without seriously affecting automobile travel.

Lacking adequate power to enforce his recommendations, the Coordinator has met resistance to many of the changes he has proposed. The railroad employes, their ranks cut in half since 1920, have eagerly welcomed improvements in service and operation that would stimulate the volume of traffic. For different reasons, though in company with the executives of the individual lines, labor has stoutly opposed unification of terminals, the elimination of duplicating trains and services and other measures that would have the immediate effect of reducing employment.

Congress at the last session extended Eastman's term as Coordinator until June, 1936, continuing, also, the restrictions against economies which would reduce employment. Representatives of the carriers have suggested that the American Association of Railways could better perform the work of coordination now entrusted to an officer of the Federal Government, but the railroad employes favored the bill renewing Eastman's powers for another year.

Checked in his plans for modernizing the railroads, the Coordinator forged ahead with a legislative pro-

gram to bring all interstate carriers under one Federal regulatory body. The demand for legislation to regulate the truck and the bus, originating with the railroads, had been renewed at each session of Congress since 1926. State public utility commissions supported it on the ground that motor transport could not be effectively regulated without control of interstate carriers by the Federal Government. When thousands of the unemployed turned to the highways during the depression, operating their own trucks at charges often below cost, the established lines in the motor-carrier industry turned to self-regulation under NRA codes. When the codes fell before the Supreme Court decision, Mr. Eastman pressed for action on a bill to give the Interstate Commerce Commission control over the rates and services of highway carriers. Accepting the Coordinator's assurance that the law would not be administered to suppress highway transport, the leaders of the industry supported the Motor Carrier Act, passed by Congress last August.

The two giants of American transport are now, for the first time, under unified control. Mr. Eastman is chairman of the newly created motor carrier division of the commission, which is at present taking the initial steps to extend Federal regulation to a highway system with more than 900,000 miles of improved roads maintained since 1920 at a public cost of $12,000,000,000. This system parallels 245,000 miles of track operated by railroads with a book value of $26,000,000,000.

Among the first goals set in the administration of the new law is a concerted attack by Federal and State authorities on the problem of highway accidents. The commission brings to this work a long experience in the enforcement of similar safety standards on the railroads. Casualties from railroad accidents were progressively reduced from 10,396 killed and 150,159 injured in 1911, to 5,019 killed and 27,494 injured in 1934. The safety provisions of the Motor Carrier Act apply to private fleets of trucks crossing State lines as well as to several hundred thousand carriers whose rates and services will be subject to regulation. Full power is given to the commission to prescribe qualifications and maximum hours of service for drivers and to promote greater safety in both operation and equipment.

As highway regulation goes into effect, action remains to be taken by Congress on other bills to extend the powers of the commission. Partial control over the rates of airmail carriers was vested in the commission under a law enacted last Summer, and a bill for the control of water lines will be resubmitted in January. Water transport has staged a remarkable revival since the World War and local and sectional jealousies and aspirations must be composed before the bill can pass. Mr. Eastman must convince advocates of such projects as the St. Lawrence Seaway and the Lakes-to-the-Gulf Waterway that regulation by the commission will not hamper these developments.

The Coordinator has repeatedly declared that the water carrier, the bus, the truck and the airplane should not be regulated by railroad standards. He believes that "each type of carrier can do certain things better than any of the others" and that none of them can be legislated or regulated out of existence. "No one," he asserts, "can turn back the hands of the clock with any hope that time and progress will be obliterated or sweep back the tide of invention."

Gentlemen Racketeers

By MEYER BERGER*

"UNDERWORLD" has become a confusing term since the great liquor flood of 1917-1933 lifted the humble criminal from cellar hideouts and crumbly tenements to the upper regions—to lofty skyscraper apartments with dropped living rooms and to the most expensive penthouses in town. The tough mug with the turtleneck sweater and thick-soled boots is a thing of the past. He has degenerated into the smart man-about-town, forsaken his quaint habiliments for smart dinner jacket and patent leather pumps and is hard to distinguish from any other tired business man.

Twenty years ago it was a simple matter to define the underworld of a great city. You merely took inventory of the low-browed persons engaged in such ancient callings as burglary, mayhem, larceny and highway robbery and you had a good picture of the set-up. Now the job is far more complicated. You still have the 'umble burglar, cutpurse and hold-up man, but they represent only the lowest stratum of the underworld.

Modern crook and racketeer organizations have adopted modern business methods and all the fancy office trappings of more legitimate enterprises, proceed only on advice of high-priced counsel, and even in such primitive ventures as murder use the most delicate business finesse.

Twenty or thirty years ago gang murder was still crude. The technique employed by Cain in the Abel job had not been advanced to any great extent. But with the advent of prohibition and the elevation of the crook and the bum to the status of business man, the art was considerably refined. The "ride" method was introduced. In Chicago an underworld genius developed the "dead man's grip"—a simple trick in which the victim's hand was taken in friendly gesture and held fast by one gunman to prevent his reaching for his gun. A second assassin did the actual killing.

The late Louis (Pretty) Amberg of Brooklyn, who was recently found done in rather neatly with an axe, was the inventor of the "strangle yourself" technique. The subject was laid out with a blackjack or gun-butt blow. As he lay unconscious he was trussed up in such fashion that on awakening and moving his bound knees he tightened a noose fitted around the neck. He could prolong life for a short time by keeping his knees stiff--but muscles tire eventually and there is no way out. Pretty used to say it "sort of soothed" his conscience to think that his victims killed themselves; that he did not have to feel that he was responsible for their death.

The 1935 racketeer boss proceeds about the business of murder with true executive gravity and dignity. In the first place, he never assigns the man who is to do the job. That might involve him directly in a killing if, through some slip, the matter should come before a grand jury. He merely suggests the idea to one of his "front men," who correspond to vice presidents in a large corporation. They, in

*The author of this article, a member of the news staff of *The New York Times*, is mainly engaged in crime reporting.

turn, pass the order along to one of the outside men, and a homicide expert is assigned to do the job.

That goes for a routine killing in which no special finesse is needed. On important jobs, such as elimination of a too arrogant business partner or competitor, the procedure is even more delicate, and the "finger" method is applied. The racketeer boss, as before, drops a hint that the dispatch of a partner or competitor is imperative to the good and welfare of the organization. To use home talent for such a job merely increases the chance of detection. The presence of a known killer near the quarters of a rival organization is apt to excite suspicion.

Wherefore the front man makes a trip to some other city. New York racketeers, for example, can always call on others in their line in St. Louis, Cincinnati or Chicago to lend them a man or two for a "finger" job. They have a reciprocal arrangement for that sort of thing. The murderer selected for the assignment comes in by train or airplane, is put up at one of the best hotels in town and is treated with all the courtesy that a silk underwear manufacturer would extend to a visiting buyer from Oklahoma City. He is not introduced around, for that would not do at all. He must not be seen or heard.

He stays pretty much in his suite, doing a bit of solo drinking or reading, until a big prizefight at Madison Square Garden or some other major event brings his subject into the open. Then the "finger is put on"—the prospective victim is discreetly pointed out and the murder man looks him over very carefully so that he will know him again when he sees him. Some fussy racketeer bosses insist that the fingering process be gone over three or four times, just to make certain. After that the out-of-towner is left to his own devices. Equipped with a schedule of the routine habits of his target, he waits for his chance, does the job, and takes the next train or plane back home.

Modern murder methods, coupled with the gangster code against "squealing," have worked out perfectly for the racket chiefs. The percentage of convictions for murder—particularly gang murder—is insignificant. In the past fifteen years no major underworld figure in New York has had to answer to a court of justice for the homicides done at his bidding. The only charges the major racketeer fears at all are charges of income-tax evasion, and, surrounded by sharp and cunning lawyers who have a special talent for "fixing" juries, even that fear is, with him, not the fear of despair. The racket boss has a profound contempt for the courts and creaky court machinery. If gangs and gang chiefs were not wiped out from time to time by the guns of their competitors there would not be enough penthouses and office buildings to hold them.

An underworld is nothing new in New York. Crime we have always had, and probably always will have, with us. But in the old days, before the tough mugs and second-story men had graduated to big business, they were easier to handle as a community problem. Since their pickings were comparatively small, they had no real standing in the community. The policemen, for instance, did not mind improving their muscles at the expense of an ordinary pickpocket or corner loafer. They kicked him around at will, forward-passed him to one another in the back room of the station house and then dragged him before the magistrate, decorated with lumps and bruises, and no one said anything about it. If the court was

curious about the defendant's condition the explanation was always: "He resisted arrest, your honor."

When profits from liquor traffic transformed the underworld types into the dinner-jacket and patent-leather class everything changed. A policeman had to be careful how he handled a prominent bootlegger or even one of the bootlegger's men-at-arms. If he resorted to the old-time tradition of punting the transformed criminals around the police station he might find himself pounding a lonely beat where the cowslips and the daisies grow; some post so distant from his home that he would have to use half his salary for commutation tickets. The reason for that was that the glorified crook, scattering his easily earned bootleg millions around as graft, had political influence.

A lot of good people snort indignation when you say that. They think the racketeers' hold on politicians has been greatly exaggerated. But it has not—not a bit. Why, do those people never stop to ask, were the mighty beer and booze caravans allowed to rumble through the streets of a great city like New York, morning after morning for many years, without interruption from the police? Why were gang leaders immune from arrest, though their murders and pilfering through the most transparent of rackets were known to every man who was not deaf or blind—or both?

The racket bosses and their fugelmen, even if you get to know them pretty well, never mention their political connections outright. They apply the gang code when you ask about them—the code of silence or elaborate, too elaborate, denial. The late Dutch Schultz, a pretty good actor, always overdid his part when reporters asked him if it were not true that he was paying thousands of dollars a week to a certain politician for protection of the widespread Schultz beer and lottery interests. Dutch would turn on his best babyface stare, let his lower jaw hang a bit to register astonishment, and shake his head. "I don't even know the gentleman," he would say, "though I hear he's a very, very nice guy."

Well, then, snort the good people, if there are relations between gang chiefs and prominent politicians, why does not some one expose them? In the first place, unfortunately, it is not enough to know that such relations exist. There must be legal proof, and that is hard to get. The remote-control system employed by the gang chiefs in murder is applied in graft, too. The underworld boss does not go to the district leader on a street corner and write the weekly check with a gold fountain pen. The two never meet in public, and on the rare occasions when they do get together for an important business conference it is very apt to be in some cozy and well-protected spot far from home. In ordinary routine graft payments and collections the "front men" and the politicians' confidential retainers are the go-betweens. Finding a needle in a haystack as high as the Empire State Building is a lot easier than catching them making their exchange.

Even if you had super-investigators who were above temptation and corruption they would run into insurmountable snags. They would find, for one thing, that no checks were used in the deals between the gangster and the district leader. They would find no written contracts and they would find no telltale bank accounts. The whole nefarious business is conducted on a cash-and-carry basis from beginning to end, and the cash is kept in safe-deposit vaults.

It must not be inferred from all

this that there are no honest policemen and no honest men in public office. There are plenty. But the racket chief does not have to buy the whole police force or the whole administration. He usually confines his activities to a certain part of the town and if he lards the palms of the crooked powers in that quarter he can operate freely and without fear of arrest or prosecution. If a lesser member of the police force—a detective or a patrolman—is stubborn and insists on being troublesome, it is not too difficult, through the district leader, to see that he is sent somewhere where there is a real demand for honesty.

Sometimes, after a particularly brutal murder or an amazingly unsubtle bit of racketeering comes to light—the recent discovery, in New York, for example, of the leech-like "shylocks" who preyed on underfed and broken-spirited debtors, collecting as much as 1,080 per cent on a loan—there is such a howl from the public that officials feel uneasy. In that event there is apt to be a quick conference between the public official and the racket boss and a few of the lesser "front men" may be tossed over the back of the sleigh to appease the hungry wolves of righteousness.

Sometimes the prosecutor outsmarts the cunning racket lawyers and actually puts the sacrificial "front men" (or they may even be men of lesser rank in the rackets, the so-called "heels" or "punks") behind the bars. In that event the public officials announce that "the back of the racket has been broken." It has not been broken at all, not even bent, but the public seems to be satisfied in most cases, and the old system swings back into operation after a temporary lay-off or moderation of policy. Sometimes the sacrificial underling is snatched back by the racket lawyers with their sonorous legal balderdash, but in any case the public is satisfied. They feel that at least the racketeers have had the fear of God thrown into them, and will ease off. That is because they do not know racketeers.

Some of the rackets have been perfected to the point where they are hard to distinguish from legal enterprise. In that field the golf-playing penthouse-dweller type of crook can literally thumb his fat nose at the law and the public. A good example may be found in the labor rackets, which are many and varied and, in many instances, too involved for explanation here. The nub of such rackets is, in brief, for a racketeer chief and an employer of labor to get together on some arrangement that will work out profitably for both of them.

The racket chief, let us say, has formed a body of workers in some industry into a hastily organized union. He will do it at a time when the employer must get a lot of work done in a short period to meet some seasonal demand. Then he goes to the employer and sets forth his proposition. He will allow the workers to remain on the job at a small increase in pay but will get them to work a little longer. The manufacturer may have to pay out something like $25,000 to the racket chief and perhaps as much more in increased wages, but he will get $100,000 worth of labor out of it.

That is only one phase of modern racketeering. The formation of industrial "associations" is another. In New York, for example, the racketeer looked over the restaurant field and decided there were enough restaurants in the city to yield him a handsome profit. He decided to organize them. His agents told the restaurant men

they could come into the "association" for a $400 initiation fee and a monthly payment of so much per head as "dues" for the restaurant personnel.

The restaurant men balked—but not for long. They were annoyed by sad-looking pickets parading before their establishments with highly colored signs and looking reproachfully at any customer who entered. Where that did not work, the rush hour business might be interrupted by an unfriendly odor, reminiscent of skunk rampant, mingling with the good healthy odor of delicious stew and good coffee. Stink bombs. If the restaurant man was just plain bull-headed and survived even that, his windows were smashed by some mysterious hand that could never be identified.

It goes without saying that the "association" grew by leaps and bounds. All that the restaurant man got out of it was a neat brass-bound sign proclaiming membership in the association, which he could place in his show window before the admiring public. The racketeer, of course, waxed fatter than ever. The pickets? A thoroughly efficient racket organization will picket any place at any time; it usually keeps a whole corps of pickets, most of whom have never belonged to a labor union and never will, despite the legends on their signs. They work for so much a day.

Labor, industry, policy slip gambling, bootleg liquor, extortion of little shopkeepers—these and a hundred other sources have made modern racket organizations strong and powerful. Many persons predicted that with the end of prohibition the gangster would go back to the turtle-neck sweater and the thick-soled brogans. But they were wrong. Bootleg millions had set him up in new fields, strengthened his political affiliations and made him more arrogant and grasping than ever. And if you think he has given up bootlegging, that is just another mistake. He has managed, here and there, to get control of old and venerable whisky firms with solid reputations, and is operating them through dummy corporations. He is your host when you feel like going in for a bit of night life along the Great Neon Way because he controls a lot of the night clubs and cabarets. Even the free-lunch on the swanky bar you patronize may be racketeer-controlled. The late Mr. Amberg, who invented the garrot-yourself-as-you-go system, was working out a scheme for a monopoly on pickles, potato chips and other bar-room tid-bits when the boys went to work on him with the axe.

There are a few prosecutors who feel that, although the 1935 racketeer boss is strongly entrenched and more cunningly advised than any underworld leader ever was, he is by no means invulnerable. Given plenty of time, ample funds and a force of men who can operate quietly as investigators, they believe they can reach over the shoulders of the outer racket guards and grab the big shots. Special Prosecutor Thomas E. Dewey in New York is trying out that plan now. If he fails there seems to be only one other solution—with a vigilante committee. Legal gentlemen will cry "anarchy" and flap the Bill of Rights in your face if you suggest anything so crude, but so far they have not done anything to remedy the condition.

Red Rule in Mexico's Schools

By V. F. CALVERTON*

MEXICO has set out to revolutionize education—by making it revolutionary. Some nine months ago the movement was instituted amid the blaze of banners and the roll of drums, with 100,000 feet marching in steady procession from one end of the capital city to the other. When the parade had ended, thousands of people listened to Lazaro Cardenas, President of the Mexican Republic, and Lombardo Toledano, leader of the Confederation of Workers and Farmers, explain the new education—Socialist education.

Henceforth Mexican youth is to be taught collectivist economics and psychology, for the aim of Socialist education is primarily not to encourage personal initiative and independence but to see that the individual thinks less of himself and more of society. And he is not to form his own convictions and conclusions, but to accept them ready-made.

By viewing mathematics, history, literature, science and other subjects through the lens of a Socialist view of society, the Mexican Department of Education has already begun a reorganization of primary and secondary school curricula, thereby affecting the studies of nearly 2,000,000 pupils. Universities have not been subjected as yet to such reorganization, although late in September the Mexican Congress received a bill intended to bring this about. Within the next twelve months all Mexican universities will probably lose their autonomy and find themselves under the yoke of the government's educational program.

This drive for Socialist education is the result of a long and bitter struggle waged against the Catholic Church and foreign capitalists. Since Mexican education had for hundreds of years been religious, the leaders of the Mexican revolution held that in order to overcome clericalism they had to prevent the Church from influencing the minds of the people by virtue of its educational authority. For that reason after every stage of the revolution more and more monasteries and cathedrals were taken from the Church and converted into schools for the people. Many of the largest schools in Mexico are today carried on in former church buildings.

The Mexican Government saw an even more formidable enemy in the foreign capitalists. In the Constitution of 1917, which grew out of the revolution of 1916, the new government attempted to buttress itself against the power not only of the Church but also of foreign capitalists, who still own or control almost 90 per cent of Mexico's economic resources. In its labor and agrarian codes, in the new restrictions upon foreign-controlled business enterprise and in the Socialist demagogy employed to win the revolution, the new government strove to fortify itself against foreign capital. It was in those days, when socialism was the word of the hour, that the idea of Socialist education was born.

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Economic developments following the revolution, however, pushed the idea into the background. The new government found it had to cooperate with foreign and especially American capital to a far greater degree than it had anticipated. Today, however, with the disappearance of Calles, who favored American interests, and with the rise of Cardenas, who derives his main support from the workers, the peasants and the small business men, all of whom are violently anti-imperialist and, therefore, anti-foreign, Socialist education has been revived and adopted as a government policy.

The Cardenas government has put Socialist education into effect because it believes that, ultimately, by educating the populace in the virtues of socialism, the influence of foreign capital can be destroyed. President Cardenas and his followers are convinced that only with the support of a populace that believes in socialism can the government win back the economic resources of the nation and vest them in the Mexican State.

In addition to its value as a weapon against foreign capital, Socialist education is also used to gain the support of the forces of the Left, especially the Confederation of Workers and Farmers, which has for years agitated for it, as well as to undermine the forces on the Right, in particular the Church, which still advocates the restoration of religious education in the schools.

Socialist education in Mexico is, above all, political in its purpose and only secondarily, or even incidentally, educational. Imposed from the top, it is still too much a plaything of the politicians and has not been able to become in practice what it has been proclaimed in theory. In Mexico, where few ideas are not the by-products of politics, the new education could not have been introduced without bands, banners and marching feet. But after all the confetti strewn at the baptismal celebration has been trodden under foot, there comes the difficult task of nurturing the new-born infant. This task Mexico has tended to neglect.

As outlined in the "Program of Public Education for 1935," formulated by Garcia Tellez and supported by Vasquez Vela, who succeeded Tellez as Minister of Education, Socialist education is based on the assertion that the working class should be the pivot of an educational system and that a Socialist commonwealth is its ultimate objective. From the first sentence, which states that the government has assumed "a most serious obligation in the matter of the education of the working class," to the last, which declares with soapbox fervor that the government will use education as a means of protecting the proletariat from spiritual as well as economic exploitation, the influence of labor is conspicuous.

Three propositions are stated: The eradication of illiteracy, the emancipation of the proletariat and the inculcation of a cooperative instead of a competitive purpose in school and society.

The campaign to get rid of illiteracy has been made a national issue and affects adults as well as children. Professors, students and intellectuals of every variety are urged to lend their aid, publicly and privately, to promote and expedite this campaign. Even the shock brigade idea, popularized by Soviet educators, has been encouraged, with the result that "assimilating brigades" are dispatched to all parts of the country "for the spreading of culture by means of the indigenous languages."

Since two-thirds of the Mexican population is rural, and since in rural

districts illiteracy is most pathetically conspicuous, the main emphasis in the campaign is upon the multiplication of rural schools. In these schools, which become the social centre of the community, the students are taught not only to read, write and count, but also how to live. The whole community becomes part of the school project. The school theatre becomes a community theatre; the school sports become the community sports; the school orchestra becomes the community orchestra. The student bodies build new roads, straighten the streets, number the houses, install telephones, organize postoffices and develop improved agricultural methods. Within the last ten years 12,000 such rural schools have been opened; 2,200 others are to be established this year, and 8,000 more within the next four years. By 1940, it is hoped, Mexican illiteracy will be wiped out.

The second objective of Socialist education, the emancipation of the proletariat, is viewed as indispensable to the creation of a new society. Without an emancipated proletariat, Socialist education cannot achieve its purpose and objective, which is a Socialist State. "Since three-fourths of our population are wage-earners," the program states, "the Socialist school will consecrate itself to the education of the proletariat in order that culture may not be the monopoly of aristocrats and people of wealth." In his inaugural statement Vasquez Vela avowed that Mexican education under his guidance would be devoted "to the great task of helping to achieve the spiritual and economic liberation of the working-class."

In the Francisco Madero school and the Domingo F. Sarmiento school, both in poverty-stricken sections of Mexico City, such proletarian emphasis is conspicuous. On the front wall of the former are the sculptured faces of three figures: Morelos, leader in the Mexican War of Independence; Zapata, champion of the peasants in the agrarian revolt of twenty years ago, and Lenin. In various school rooms revolutionary frescoes, painted by Pacheco, a former pupil of Diego Rivera, depict sundry phases of Mexican history, all bristling with proletarian challenge and prophesying the future victory of the working-class. One, headed with the words "Proletarians of the World Unite," shows the faces of a score of children carrying a banner inscribed with the motto, "We do not ask for love or charity; we demand our economic liberation." In the Domingo F. Sarmiento school are other revolutionary frescoes, one of which shows the bold, crushing hand of a worker, in whose grip the squirming bodies of a capitalist, a landlord and a priest are being squeezed into pulp.

The study plans, course programs and commission reports drawn up since the introduction of Socialist education all reveal the same proletarian influence. Thus the report of the Commission of Teachers declares: "Man's existence depends upon his ability to support himself. Therefore, economics constitutes the basis of his life. This is in fact the theory of historical materialism, which, along with the theory of class struggle, constitutes the basis of Marx's scientific socialism, all of which we consider the necessary link with the new trend as represented by Article 3 of the Mexican Constitution." The reconstructed program of historical instruction consequently interprets ancient, medieval and modern history in terms of the "relations of production and consumption" qualified by the idea of the class struggle.

Even a subject as remote from social strife as mathematics has been

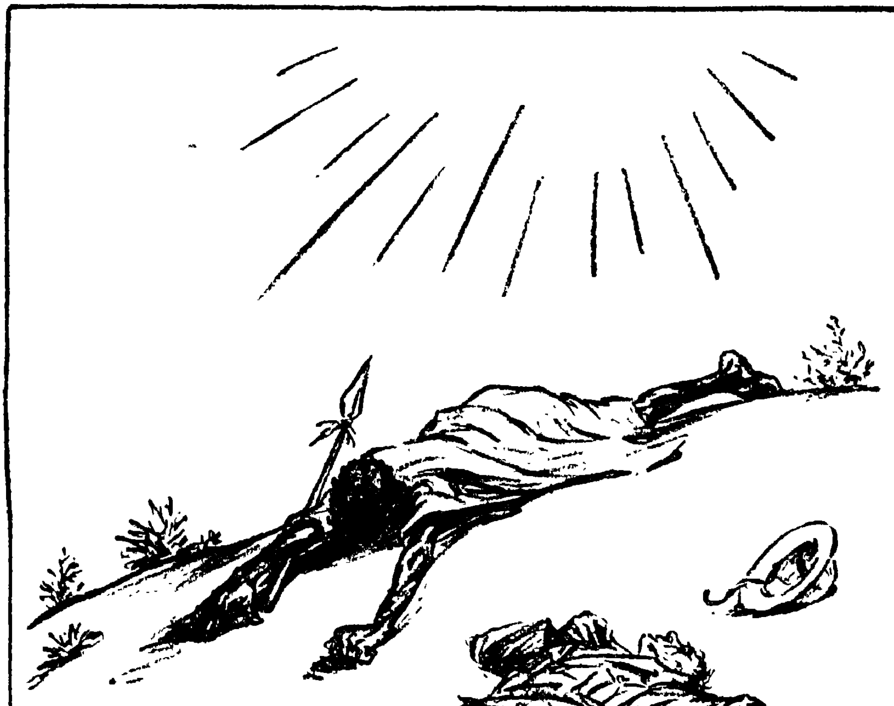
given a Socialistic interpretation. "Mathematics as taught in the secondary schools," states the official lesson plan, "must serve as a link with other activities, in order to illuminate Socialist, proletarian ideas which will be of benefit and assistance to the working class." One group of teachers is now at work compiling an anthology of French literature which will reflect the growth of proletarian sentiment in that language. In the social sciences the proletarian approach is even more direct.

Most striking is the method of studying English in the secondary schools. English is presented not as dry-as-dust grammar, with emphasis upon form instead of content, but as a vital language bound up with a living society dominated by certain economic and class relationships. The following introductory paragraph to Lesson Six in Second-Year English will indicate the development of the proletarian approach: "This triumph [of the workers] prepared society for the great social change which was to establish a Socialist republic in which all men cooperate and do not exploit each other. All the working-class was prepared for this great event. If the laborers are not organized they cannot expect to get good working conditions. They must form unions, and the best conditions will exist when they establish a Socialist republic and really learn the truth of this sentence: 'Union is strength!' "

The third objective of Socialist education, the inculcation of a cooperative instead of a competitive psychology in school and society, is the spiritual backbone of the scheme. As the program for 1935 states, Socialist education aims to eradicate all past emphasis "upon competition and private profit" and in the teaching of commercial subjects to bring about "the elimination of middlemen and the development of experts in socialized economy in its varied cooperative forms." Children earn money in some of the economic activities undertaken in rural and urban schools, and here they are taught to work cooperatively as members of groups and not competitively as separate individuals. "The Socialist school will stress cooperation not only in the classroom," declares the report on Socialist education published by the National Revolutionary party, now in power, "but also among the masses, where cooperation will provide the most effective means of destroying the capitalist system and substituting a Socialist system in its place."

Although the character and purpose of Socialist education have been expounded in public addresses, newspapers, magazines, pamphlets and books, the net result so far is disappointing. The truth is that the teachers themselves are for the most part inadequately equipped; at the present time only a small minority are able to do justice to the program in the classrooms. Unless Socialist education can be made something more than a political device, Mexico will have an educational system that might be progressive in theory but will be retrogressive in practice.

Current History in Cartoons

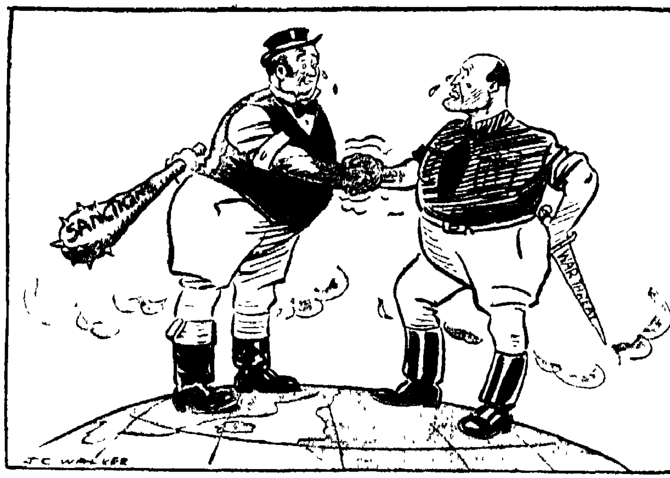


A place in the sun

—*Philadelphia Inquirer*



Ethiopia's protectors
—*Guerin Meschino*, Milan



Whatever happens, we'll be friends
—*South Wales Echo*, Cardiff



Haile Selassie as seen by Italy, the League and Great Britain
—*Le Rire*, Paris



A couple of worried gentlemen
—*News and Observer*, **Raleigh**



Prime Minister Baldwin's
election platform
—*The Sun*, Baltimore



Shhh! Pretend we don't see her

—Glasgow Bulletin



"Am I in business for my health?"
—*Pittsburgh Press*



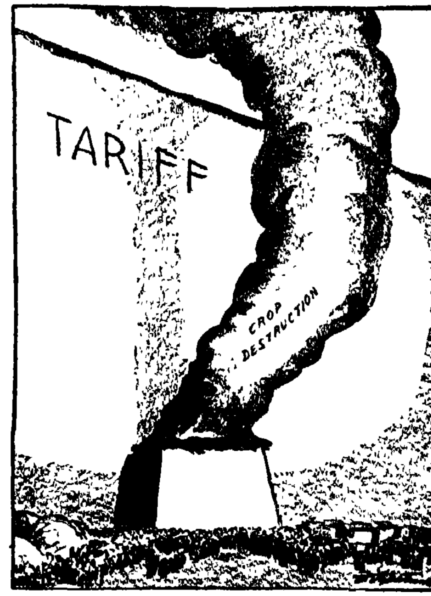
"Too bad!"
—*Dallas Morning News*



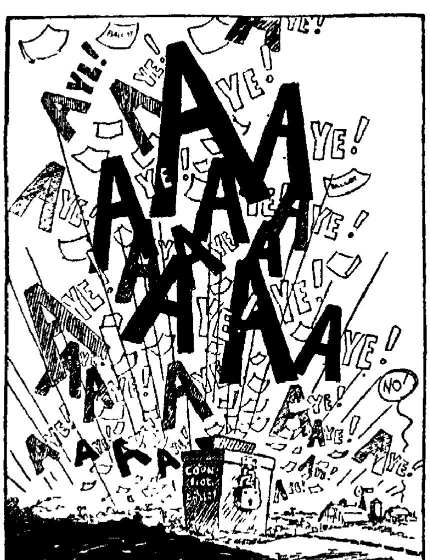
Home, sweet home!
—*Chattanooga Times*



Especially one as fragrant
—*Commercial Appeal*, Memphis



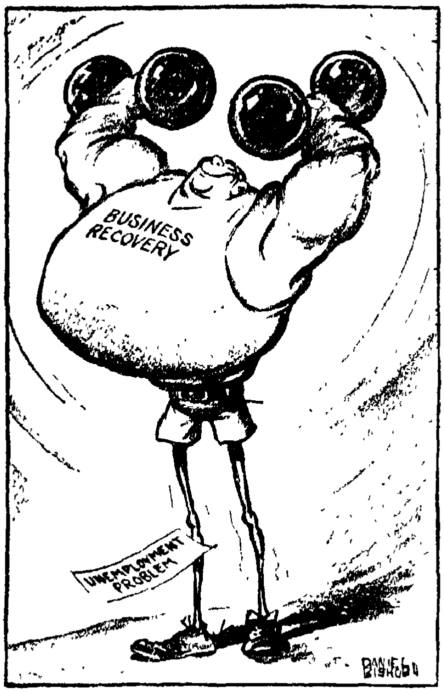
What comes of living behind a wall
—*St. Louis Post-Dispatch*



The voice of the Middle West
—*Springfield Republican*



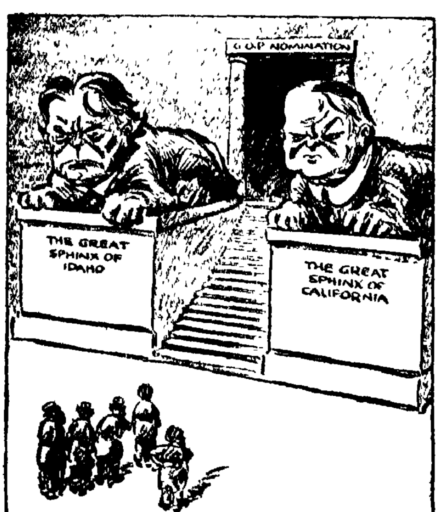
Share-croppers
—*Kansas City Star*



A fighter is no stronger than his legs
—*St. Louis Star-Times*



Going down—and coming up!
—*Commercial Appeal*, Memphis



Step right up, boys!
—*Knickerbocker Press*, Albany



"Don't send my boys to prison"
—*Washington Post*

A Month's World History

Chronology of Current Events

(Figures indicate page numbers)

International Events

Oct. 7—League Council holds Italy guilty of aggression (274).
Oct. 9—Austria and Hungary balk at sanctions (274).
Oct. 10—League Assembly condemns Italian aggression (274).
Oct. 11—League places arms embargo on Italy (275).
Oct. 13—Italian commander formally takes over Adowa.
Oct. 14—Nations agree to complete credit blockade of Italy (275).
Oct 16—Britain rejects Laval's plea to withdraw Mediterranean fleet.
Oct 18—France and Britain reach diplomatic understanding (280).
Oct. 22—Sir Samuel Hoare tells British Commons that military sanctions can be avoided (279).
Oct 26—The United States pledges moral support to League policy.
Britain bans arms exports to Italy and orders financial sanctions
Oct 30—President Roosevelt and Secretary Hull warn against war trade (290).

The United States

Oct. 25—President Roosevelt holds AAA must be permanent (294).
Oct. 30—AAA establishes corn-loan plans.
Nov. 5—Local elections indicate slight Republican trend (297).

Canada

Oct. 14—Liberals win in general election (299).
Nov. 11—Canadian-American trade treaty announced (300).

Latin America

Oct. 9—Colombian trade treaty with United States published (305).
Oct. 23—Mexican President asks for foreign capital to develop country (304).
Oct. 28—Chaco peace conference declares war ended (302).
Nov. 3—Provincial elections in Argentina cause unrest (303)
Nov. 5—Mexican President refuses to modify curb on Catholics (305).

The British Empire

Sept. 14—Maltese press censorship ordered (311).
Sept. 26—Indian Legislative Assembly adjourns (310).
Oct. 25—Parliament dissolved (307).
Oct. 28—Union of East African Crown colonies denied (311).

France

Oct. 20—Senatorial elections indicate trend to the Left (312).
Oct. 27—Edouard Herriot re-elected president of Radical Socialists (312).
Oct 31—Laval Ministry publishes new emergency decree (313).
Nov. 4—Stavisky case brought into court (314).

The Teutonic Countries

Oct. 13—Winter Help Work Fund campaign begun in Germany (315).
Oct. 17—Starhemberg gains power in Austrian Cabinet shuffle (243).
Oct. 18—German student fraternities dissolved (315).
Oct. 27—Swiss national elections (317).
Oct. 28—Hitler repudiates neo-pagan movement (317).

Italy and Spain

Oct. 1—Spanish Cortes reassembles (318).
Oct. 29—Meatless days decreed in Italy (281).
Spanish Cabinet re-formed (318).
Oct. 31—Anti-British demonstrations in Rome (281).

Eastern Europe

Oct. 10—Royalist coup d'état in Greece (319)
Oct. 12—Koscialkowski becomes Polish Premier (320).
Oct 21—New Albanian Cabinet formed (322)
Nov. 3—Greek plebiscite approves monarchist restoration (320).
Nov. 5—Czechoslovak Cabinet shake-up (321).

Northern Europe

Oct. 14—German victory in Memel elections confirmed (323).
Oct 22—Socialists win in Danish elections (323).

The Near and Middle East

Oct. 3—Agreement to transfer British railways in Iraq to Iraqi Government announced
Nov. 12—Nationalist support withdrawn from Egyptian Government (328).

The Far East

Oct. 12—Japan accepts quota on cotton goods exported to Philippines.
Oct. 13—Moscow protests to Japan on "border violations" (332)
Oct. 31—Attempt made on life of Chinese Premier (330).
Nov 3—China abandons silver standard (329).

The League Acts Against Italy

By ALLAN NEVINS

THE Ethiopian crisis combines many elements, presents many complications, but its most obvious aspects have been three in number: The rapid mobilization of the League to impose sanctions upon Italy; the three-cornered negotiations of France, Italy and Great Britain to settle the dispute before sanctions should go into force; and the war itself.

On Oct. 7 the Council of the League reached its unanimous verdict that "the Italian Government has resorted to war in disregard of its covenants under Article XII of the Covenant of the League." Already delegates to the Assembly were gathering in Geneva. On Oct. 9 that body opened its plenary session with a statement by its president, M. Benes, upon the international situation. It then took up the ratification of the Council's verdict. The debate, which lasted two days, showed (excluding Italy) an alignment of fifty-three nations against two. It brought from Premier Laval and Anthony Eden assurances that France and Great Britain would vigorously meet all obligations under the Covenant; and these assurances were echoed by many others, including—to Italy's dismay—representatives of the Little Entente.

The two nations that entered their dissent, Austria and Hungary, were the very nations that had received more important financial and political assistance from the League than any others. For Austria there was some justification. That little country must of necessity be a satellite of either Germany or Italy, and the ruling clerical oligarchy deemed Italy the less dangerous. The Austrian leaders were doubtless also not without a shrewd thought for the economic benefits their impoverished nation might receive as the principal commercial channel between Germany and Italy.

For Hungary much less could be said. De Velics, her representative, stated that her economic position was peculiar, that having depended to a great extent upon exports to Italy, Hungary might face ruin if she lost this market. Doubtless he was sincere, but Hungary had another and more important motive. For years her opportunistic rulers have been fishing for both German and Italian aid in obtaining treaty revision. Devoid of principle, they are more anxious to insure Italy's continued support of their aims than to remember all that they owe the League.

In convicting Italy of having "resorted to war" the League Assembly brought into effect the pledge of all League members, embodied in the Covenant, to employ stringent economic measures against the offending power. Two questions at once arose: Since the Assembly is too large a body to act as a planning board, how should these collective measures be planned? What measures should be adopted, and in what order? By its skill and energy in finding answers to these questions the League made history.

To plan sanctions the Assembly on the night of Oct. 10 set up a Co-

ordinating Committee, representing all League members except Italy, Austria and Hungary. When Albania later joined the dissentients, she also was excluded. Once created, this committee became an independent body. M. Benes called it a "conference"; it is not a committee of the Assembly or the Council, and makes no report to them, but executes its own decisions.

Holding its first meeting on Oct. 11, the committee elected Senhor Vasconcelos of Portugal as chairman. It then appointed a sub-committee of seventeen members to formulate detailed plans, with the assistance of economic exports, and to lay them before the full committee. The nations represented on this body were Argentina, Belgium, Canada, Czechoslovakia, France, Great Britain, Greece, Holland, Poland, Portugal, Rumania, Spain, South Africa, Sweden, Switzerland, Turkey and the Soviet Union. Senhor Vasconcelos was chairman of the sub-committee also. That same afternoon it set to work on a program of sanctions.

A variety of economic steps were obviously open to the League. The first, of course, would be to raise the arms embargo upon Ethiopia while keeping it applied to Italy. On the afternoon of Oct. 11 the subcommittee decided to take this step, and that night the full committee unanimously endorsed it. All League members were called upon to prevent the export, re-export or transit of arms to Italy, and to annul all contracts in process of execution. In defining arms, the subcommittee, at Mr. Eden's suggestion, adopted the schedule of war materials drawn up by President Roosevelt, which falls into six categories and includes, besides all ordinary weapons, warships, aircraft and parts, poison gas and flame-throwers. The full committee added explosives of all kinds to the list.

The subcommittee, enlarged to eighteen by the addition of a Mexican representative, then turned its attention to the second obvious step—the stoppage of all financial aid to Italy. On Oct. 14 the full committee adopted this "Proposal No. 2." The members agreed that from that very day League States would forbid to the Italian Government all loans, all banking or other credits, and any further execution by advance or overdraft of existing contracts to lend. A ban was also placed on all loans or banking credits to any public authority, any individual or any corporation in Italian territory, and all flotations of shares or bonds for corporations, persons or public authorities in Italy.

As was expected, Hungary and Austria filed reservations with respect to this measure. The Argentine delegate also unexpectedly raised a difficulty. Speaking of the large Italian element in his country, he said that the application of these financial measures might encounter obstacles in the Argentine Constitution. For the rest, assent was universal.

It was clear that these first two measures against Italy would, if taken alone, be totally ineffective. As for the arms embargo, Italy already had ample war material for a protracted campaign. Her armies were supplied with the most modern equipment; she had stores, and her munitions factories were running at full blast. Though arms shipments to Ethiopia at once began, it was perhaps too late for them to do that nation much good.

As for financial sanctions, they did not add much to decrees already registered by economic law. There was now not a nation in the world where

Italy could float a long-term loan, League or no League. Her 7 per cent bonds were selling in New York at 60 cents on the dollar. It was only with great difficulty that Italy, according to report, obtained limited short-term accommodations during the Summer in France. Mussolini had long since taken measures to carry through the war without foreign financial aid, and he hoped they would suffice.

The Coordinating Committee had therefore to think of more drastic steps. Of really severe economic sanctions, the first would be to prohibit the export to Italy of certain "key" materials, deprivation of which might cripple her efforts. The second would be to kill most of Italy's export trade by binding all League members not to purchase goods from her. The third, if other means failed, would be to impose a League blockade upon Italy, but as Mussolini had said that this would mean war, it would naturally be postponed to the very last.

At a meeting of the subcommittee on Oct. 12, Mr. Eden proposed an embargo on exports. He argued that, if the crisis were allowed to drag on, Mussolini might overrun much of Ethiopia, that world trade would be increasingly disorganized and world recovery retarded, that ill feeling between Italy and the chief League powers might rise to a point where collision was unescapable. He said, in effect, that a stoppage of all purchases from Italy would bring that nation to a more reasonable frame of mind in short order. To supplement this embargo on Italian exports, he would cut off the shipment of raw materials and other key products to Italy.

But this was moving too fast for France and other nations. The French representative, M. Coulondre, pleaded for delay. Doubtless one of his objects was to obtain time in which Premier Laval might make another attempt at peace by mediation. The subcommittee therefore decided to consider the stoppage of shipments of key materials to Italy first, and to postpone till later the more "swift and effective" boycott of Italian exports proposed by Mr. Eden.

The subcommittee therefore reported on Oct. 19 a measure to deprive Italy of some of the raw materials of warfare. A comprehensive list of these materials was drawn up. It included rubber, nitrates and nitric acid, machine tools, iron ore, nickel, magnesium, aluminum and bauxite, chromium and ferro-manganese. The Coordinating Committee, after an interesting debate, at once adopted the measure, though it postponed application of it to a date to be fixed later.

Even while this step was being taken it was evident that it would not count for much. A number of vital materials—iron, petroleum, cotton—had to be omitted from the list because they could be supplied in unlimited quantities by Germany and the United States. Though rubber was included, Brazil, which is outside the League, could furnish considerable amounts of it. Salvador de Madariaga announced that Spain might not consent to an embargo on iron ore, inasmuch as iron itself was not on the list. Hungary and Austria again raised objections, while the Chilean and Peruvian delegates reserved the final decision of their governments. Bankrupt Chile could not well forego any market for nitrates.

Even if the stoppage of shipments of raw materials to Italy had, by special agreements with Germany, the United States and Brazil, been made fairly water-tight, it was doubted whether it would have had much effect on Italy's course. Mussolini had

already done much to make Italy self-sustaining. There was some evidence that he had accumulated stocks of needed materials; it was known that Italian importations of metals, coal, petroleum and so on had long been above normal, though there were no precise data as to consumption. News dispatches from Italy emphasized the adoption of substitutes. One recalled what wonders Germany accomplished during the World War in doing without important raw materials, and the problem of controlling leaks would be far more difficult now than then.

It was therefore strictly necessary for the Coordinating Committee to move forward immediately to the one measure that Mr. Eden believed "swift and effective." On Oct. 19 it took the momentous step of approving the prohibition of imports of all Italian goods. So far as the League could accomplish it, the markets of the globe would be closed to Italian wares. The British delegates had regarded this as the simplest and easiest of all sanctions, requiring little debate. But it was decided that the Coordinating Committee should meet on Oct. 31 to fix the moment when it should become effective. They did so, deciding that on Nov. 18 the refusal to buy from Italy and the refusal to sell her key materials should both become effective.

British economic experts hold with Mr. Eden that this stoppage of Italian sales in world markets is the one League measure that can bring Mussolini to terms. Italy is already a poor nation; she cannot long dispense with her normal markets without intense suffering. The principal Italian exports, taken in order according to the statistics of 1934, are rayon goods, cotton goods, citrus fruit, woolen goods, dried fruits, cheese, wine and spirits. The sales of these goods are widely distributed over the world. With one exception, no one country takes a huge proportion of any of them; the exception is Germany, which last year bought nearly two-fifths of the citrus and dried fruits. In short, Italian goods are not essential to other nations. Their sales are, however, essential to Italian solvency.

To cut off "all goods consigned from or grown, produced, or manufactured in Italy or Italian possessions" (so runs the League formula) will deprive the Italians of much the greater part of their foreign trade. They can still sell to Germany, Austria, Hungary and the United States. But these countries will probably take less than their usual quotas, not more; and with them Italy has long had an unfavorable balance of trade.

Thus by combining the stoppage of most Italian exports with the stoppage of Italian imports of various key commodities, the League beginning on Nov. 18 could strike a heavy blow at Italy's whole economic life. Its effect in the first month or two may not be great; in six months or a year it might convert Italy into a seething caldron of revolution. And it now begins to appear that Ethiopia can prolong the war until the Spring rains, which means prolonging it for an entire year.

For another reason Mussolini may well dread the effect of any prolonged stoppage of Italian exports. Nature abhors a vacuum. The markets that formerly bought Italian goods would quickly find substitutes from other lands. The few remaining friends of Italy in the League, therefore, hesitated in applying the final and most drastic of the sanctions. We say final, but it is not impossible that a blockade would be considered if this failed.

In the press room of the League headquarters at Geneva, as November opened, officials had placed a bulletin board on which were listed the fifty or more member nations, with columns to indicate the positions of each on the various sanctions: (1) The arms embargo; (2) the prohibition of financial aid; (3) the embargo on shipments of key materials to Italy, and (4) the boycott of Italian goods. As each government indicated its formal acceptance of the measure, ratifying its delegate's vote, an "X" was placed in the appropriate column. At the outset only the first column was well filled, but by the end of the first week in November the board was dotted thickly with "X's" in all columns.

While the League was thus demonstrating that it would not confine itself to mild and ineffective measures, M. Laval was making an earnest effort at mediation, but up to the end of the first week in November he had achieved nothing. Some observers believed that with the British general elections scheduled for Nov. 14, and the imposition of the sterner sanctions for Nov. 18, a compromise might be reached soon after these dates. But this was mere surmise and could not be confidently predicted.

After the French delegate, M. Coulondre, succeeded on Oct. 12 in postponing action upon Mr. Eden's demand for "swift and effective" sanctions, M. Laval again approached Premier Mussolini. Between that date and Oct. 20, when Laval left for a rest at Clérmont-Ferrand, he seems to have obtained a general statement of terms from Mussolini. Both Rome and Paris dispatches stated that Mussolini expressed willingness to resume negotiations on the basis of his old idea of a partition of Ethiopia into two zones—a central or Amharic zone and a zone of border Provinces. Italy would, of course, dominate the latter. Such a complete dismemberment of Ethiopia would be totally unacceptable to Haile Selassie, to Great Britain or to the small nations which are most devoted to League principles. The effort at a settlement therefore came to nothing.

Meanwhile the world was deeply interested in the growing tension between Italy and Great Britain which, until suddenly broken on Oct. 18 by the call of Sir Eric Drummond, the British Ambassador, upon Mussolini, seemed to hold the direst possibilities. The press may or may not have exaggerated the gravity of the situation between Oct. 12 and Oct. 18. But Italy had gathered a formidable army in Libya, placed by British reports at 75,000, and had moved a large part of it to positions that threatened Egypt. British reinforcements had been hurried to Egypt, and on Oct. 11 a joint parade of British and Egyptian troops in Alexandria served notice that the two governments had arranged for military cooperation. The British fleet, with reinforcements still reaching Suez from Far Eastern waters, was ready to repulse any sudden Italian attempt to seize the canal. Preparations made for a naval war by the commanders at Gibraltar, Malta, Alexandria and Haifa had been answered by similar preparations in Italian ports. Dispatches from half a dozen European capitals were warning the world that grave danger of war existed.

These dispatches probably overstated the peril. The British and French press during these days avoided the alarmist tone of many American headlines. Nevertheless, much relief was felt all over Europe when it was known that Sir Eric Drummond had conversed for more than an hour

Who Owns the World's Colonies?

	Home Country		Colonies, Protectorates, Mandates, Etc.	
	Square Miles	*Population*	*Square Miles*	*Population*
United Kingdom	94,000	46,000,000	*5,800,000	*424,000,000
British Dominions† ..	3,550,000	17,000,000	500,000	1,200,000
France	213,000	42,000,000	4,740,000	63,000,000
Belgium	12,000	8,000,000	940,000	13,000,000
Portugal	35,000	7,000,000	936,000	8,500,000
Italy	120,000	42,000,000	870,000	2,500,000
Netherlands	13,000	8,000,000	790,000	61,000,000
The United States.. .	3,000,000	127,000,000	712,000	14,000,000
Japan	149,000	70,000,000	§575,000	§57,000,000
Spain	190,000	29,000,000	140,000	900,000
Germany	186,000	66,000,000	‡.	‡ ...

*Includes Egypt
†Includes only Dominions having colonies and mandates.
§Includes Manchukuo
‡Colonial losses in World War 800,000 square miles and 5,500,000 population.

with Mussolini. The first reports were that, thanks to simultaneous efforts made by M. Laval, Italy would withdraw a large part of her force from Libya while Great Britain withdrew several capital ships from the Mediterranean.

These reports proved misleading. A meeting of the British Cabinet agreed that there could be no thought of reducing the strength of the fleet in the Mediterranean while the Italian press continued its violent attacks upon Great Britain and while French naval cooperation remained indefinite. One capital ship was sent home, but only to be replaced by a sister vessel. As for Italy, the early statements that an entire division had been ordered home from Libya were not confirmed. On Nov. 6 the British Government let it be known that it was uncertain whether more than 3,000 men—an Italian division is 20,000—had been removed. But Oct. 18 had nevertheless brought a distinct and reassuring drop in the European temperature.

Both Prime Minister Baldwin and Sir Samuel Hoare, in debates in the House of Commons during the next few days, did their utmost to improve British relations with Italy. Sir Samuel on Oct. 22 repeated that Britain had never thought for a moment of naval or military sanctions against Italy. He recalled that he had been the first man outside Italy to recognize the Italian case for expansion, that he had striven for a settlement satisfactory to all three parties—to Italy, Ethiopia and the League. Might not an eleventh-hour settlement, he asked, yet avert economic action against a fellow member of the League, an old friend and former ally?

Mr. Baldwin on Oct. 23 spoke in the same mild terms. Like his colleague, he said emphatically that any settlement must be fair and right to all three parties—to Italy as well as to the others. Unfortunately, Italian distrust of Great Britain cannot be removed by any number of assurances

that the conflict is only between Italy and the League. To Italians the League just now means Britain—a woeful misconception.

The worst feature of Anglo-Italian relations is the continued encouragement which the Italian press gives to this misconception, and its continued abuse of the British Government. The press is controlled and inspired by Mussolini. Nor can it be forgotten that the disgraceful anti-British riots in Rome as November opened followed hard upon a defiant and provocative speech by Mussolini. It is difficult to understand what he means by such a course, or by keeping the prodigious total of 1,200,000 men under arms in Italy and the colonies.

One of the happiest developments of the month has been the achievement of a complete understanding between Great Britain and France, for in the last analysis European peace stands or falls by the harmony or disharmony of these two nations. From the beginning of the Ethiopian imbroglio the British Government has been distrustful of M. Laval's willingness to give full support to the League. A vital article of the Covenant—Article XVI—states that member nations will "mutually support one another in resisting any special measures aimed at one of their number by the Covenant-breaking State." This article was specially reaffirmed by the League Assembly on Oct. 14. But Great Britain remained doubtful. If an "incident" suddenly occurred in the Mediterranean, if Italian ships attacked British ships, would France give the required support? Direct inquiries were addressed to the Laval government. While Britain waited for an answer impatience and irritation were expressed in some British circles.

On Oct. 18 the French Foreign Office handed the British Ambassador a 2,000-word reply. The two capitals, in a joint communiqué, summed it up as "a plain affirmative to the question put to His Majesty's government." M. Laval's eight typewritten pages were needed, it was said, to set forth certain historical and explanatory views. He is understood to have declared that while the sending of the British home fleet to the Mediterranean could not be considered as a League sanction, nevertheless, since Mussolini had accepted its presence there before sanctions were voted, any act of aggression against it would now bring Article XVI into force. And after expounding the obligations of this article, he gave an unconditional assent to the British request. The solidarity of the two nations was thus completely re-established.

The practical importance of the French reply was evident. If the Italian Government attacked the British fleet or naval bases, French harbors would immediately be thrown open to the British Navy, and French warships would go to its assistance. It is understood that representatives of the French and British naval staffs have already conferred upon the best means of effective cooperation.

The French note may also have value as a precedent long after this crisis ends, for M. Laval is understood to have stated very precisely the reciprocal obligations to which the French Government will consider the British Government bound in future emergencies.

Wartime Italy

By WILLIAM E. LINGELBACH

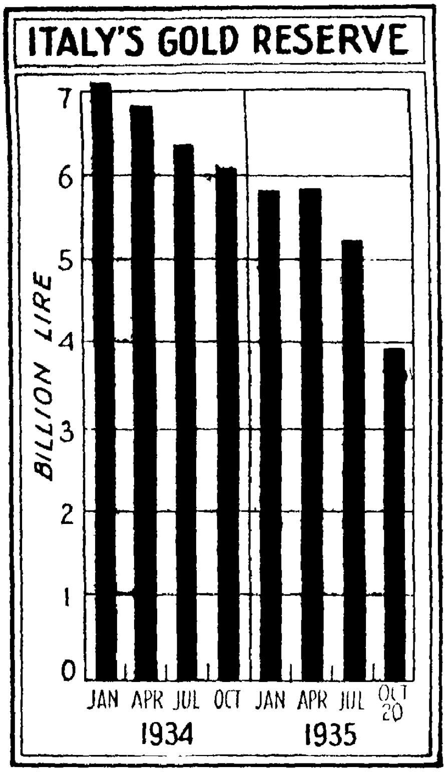
ITALY on Oct. 3 was at war. In distant Ethiopia the Duce's army had begun the advance that on Oct. 5 led to the capture of Adowa. Amid the popular rejoicing over the successful beginning of the war, there were not a few minds troubled by the dangers involved in the African venture. There was growing anxiety over the possible effect of the sanctions to be applied by the League of Nations and a rising anti-British sentiment.

The bitterness against Great Britain boiled over on Oct. 31 after an impassioned speech by Mussolini at the University of Rome. He denounced the proposed "economic siege" as a disgrace to civilization which Italy would resist with "indomitable will and supreme contempt." Following the speech, hundreds of students and Fascist youths milled through the streets demonstrating against English shops and restaurants. When the removal of all English signs and names was demanded, the management of the Hotel Inghilterra promised to change its name to Hotel d'Italia. Stones were thrown at the British Embassy, and the government hastily strengthened the guard. Although officially disapproving of the affair, Mussolini further showed his resentment toward Great Britain by the exclusion from Italy of the London *Daily Telegraph,* the reputed mouthpiece of Anthony Eden, for aspersions upon Italian policy and assertions that forty nations of the League were at war with Italy.

In the face of the threat of economic sanctions, Professor Guarnieri, Italy's economic dictator, set up a threefold program of organization and retrenchment. It involves drastic reduction of imports, except of essential raw materials; the mobilization of all foreign credit and the husbanding and pooling of the nation's economic resources. To this must be added the new taxes and limitations on dividend payments by industrial corporations, munitions plants, and so forth. By way of conserving and maintaining food, coal and other articles of consumption, drastic economies have been planned.

Orders were issued on Oct. 29 curtailing the use of certain foods. For six months, beginning on Nov. 5, there were to be two meatless days a week. Hotels and restaurants were to serve only one meat dish—beef, mutton or pork—at each meal, and were instructed to encourage the eating of fish, poultry and game. A house-to-house inventory of food stocks was ordered. Mussolini, with rare insight, committed the detailed enforcement of these measures to war mothers and war widows. Incidentally, too, women were mobilized for many other needs and urged to forego the use of foreign luxury articles of every kind.

Addressing Italian Fascists on the thirteenth anniversary of the March on Rome, Mussolini called on the "Black Shirts of all Italy" to organize a "furious defense" against "the threat of economic siege which history will brand as an absurd crime destined to spread disorder and misery among the nations." The enormous



supplies of raw materials, munitions, oil, gasoline, steel, copper, and so forth, stored in anticipation of war, were being increased daily. For the first half of the present year coal imports increased over those of previous years by 1,529,500 tons, or nearly 30 per cent; steel by 24 per cent, gasoline by 25 per cent and copper by 40 per cent over 1933.

Revelations in the French Leftist press of the export of carloads of copper, armored cars and of airplane equipment across the frontier into Italy near Modane caused Premier Laval not a little embarrassment. Coal from the Netherlands and Sweden was being routed through Germany, the Germans accepting small cash payments and Italian holdings of Austrian bonds for the balance. Imports during the year from the United States have been enormous, statistics showing that Italian purchases of cotton waste, steel, scrap iron and copper mounted rapidly during the Summer and Autumn months. Trade returns for October indicated that imports into Italy of essential raw materials more than doubled during the month. A new commercial treaty with Spain, which was signed on Oct. 5, was expected to stimulate trade with that country.

As a result of these measures for preparedness, Italian experts believed that Italy could carry on for a long time, even though sanctions should be vigorously applied. They asserted besides that the flow of imports could be maintained in defiance of the sanctions through a network of special trade channels which would, it was expected, largely circumvent the embargo on importations. Half a dozen countries—Germany, Austria, Hungary, Japan, Argentina and Chile whose trade is of strategic importance to Italy's economic needs, were not parties to the use of sanctions. On the other hand, the drain on the nation's meager economic resources was very heavy, and the gold reserve, already depleted, dwindled rapidly under the necessity of paying cash for the essential raw materials which the government feverishly piled up.

The Bank of Italy, according to its statement on Oct. 29, sustained a loss of 89,000,000 lire in gold and 34,000,000 lire in foreign exchange between Oct. 10 and Oct. 20, or about $11,000,000. The loss during ten days of October was 226,000,000 lire. Against the bank note circulation of 15,271,000,000 lire, the statement reported a gold reserve of 3,936,000,000, which, with 379,000,000 in foreign exchange approximated $600,000,000. The gold coverage was thus reduced to about 28 per cent and the reserves were melting away at the rate of 500,000,-

000 lire a month, or $2,000,000 a day. In contrast with Italy's gold supply, $400,000,000, France had over $4,000,000,000, Great Britain more than $1,500,000,000 and the United States $9,500,000,000.

Industrial plants were working overtime and many were being enlarged, especially factories engaged in building tanks, airplanes and machine guns. The number of unemployed had declined 28 per cent since July 31, from 742,312 to 536,566, while the cost of living, although rising steadily, was still, according to the Italian Commercial Attaché at Washington, very much below what it was when the lira was stabilized in 1927.

The War in Ethiopia

By AVERY J. COOPER*

IN any discussion of military operations in Ethiopia it is necessary to open with a brief description of the area.

Ethiopia lies in the east central part of Africa. It has an area of about 400,000 square miles. It consists in general of two main high plateaus, between which, running generally northeast and southwest, is a great swale or low area. This swale follows generally along the Awash River and the lake region southwest of Addis Ababa to Lake Rudolph. The area just west of French Somaliland, called Danakil, is a desert. The French owned and operated railroad from Jibuti to Addis Ababa skirts the southern edge of this desert.

The northwestern plateau is very extrusive, from Adowa to Lake Rudolph, abrupt and almost inaccessible on the east, with an average elevation of about 6,500 feet. The southeastern plateau, on the other hand, is very abrupt inland and slopes toward the Italian Somaliland border. It has an elevation from 6,500 to 10,000 feet. Much of this plateau is uninhabited except for nomadic groups during the "little rains" season in the Winter. The climate is essentially tropical in all the lowlands, but temperate zone temperatures prevail on the northwestern plateau. The rainy season usually runs from June until September, but may extend a month or more either way.

Means of communication are limited. In addition to the one railroad, there are about 500 miles of improved trails which permit all-year motor traffic, and certain new roads. At least some, and probably all, of the new roads were built either by the Italians themselves or with their influence and financial backing.

Ethiopia's so-called regular army numbers about 100,000 men, but early this year there were only about 100 machine guns and automatic rifles in the country. There were also some 200 pieces of artillery of various sizes, makes and kinds with an unknown but certainly meager amount of ammunition. As importations of arms and ammunition were legal only with the con-

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sent of France, England and Italy, and as France controls the railroad and Italy and England are between Ethiopia and the sea elsewhere, it seems safe to say that the arms situation has not been improved to any appreciable extent. There are no local facilities for either arms or ammunition manufacture.

So much for the general description of the country. We now turn to the military, or, if you will, the military-politico phase of the present disturbance.

In military parlance, if some one, or some organization, is going to war, there must be a mission or missions—to defeat the enemy's army and collect indemnity, to capture his army and part of his territory in order to sue for a favorable peace, or to seize part or all of the enemy's territory. Usually there is a well-defined mission so far as the forces in the field are concerned. The secondary political idea is not always so well defined. The military mission in Ethiopia seems to be to connect the two Italian-controlled areas of Eritrea and Italian Somaliland by Italian-controlled or owned land, besides wiping out the stain of an Italian defeat at the hands of the Ethiopians at Adowa in 1896. True, Ethiopia has some minerals which Italy needs; there is also probably some oil. But parts of Eritrea, which Italy has owned since 1890, are as yet undeveloped. Colonization does not seem to be the answer, for after forty-five years there are only about 4,000 Italians in Eritrea.

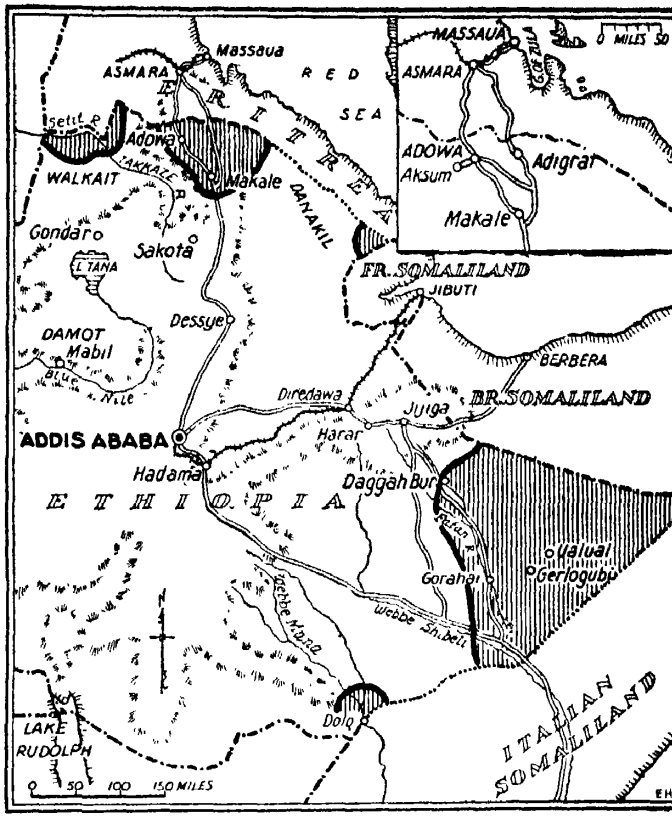
We will assume, then, that the military mission of the Italian northern army is, after capturing Adowa and Aksum and thus wiping out the stain of the defeat of 1896, to penetrate southward until a favorable peace is assured or until a meeting is formed with the Italian southern army.

The mission of the southern army is to penetrate the enemy territory in two columns, one up the Webbe Shibeli, the other up the Webbe Mana, to interrupt the railroad at Diredawa and Hadama (in order to control the supplies into Ethiopia) and to continue north until contact is made with the northern army or until a suitable peace is effected.

From a military point of view, there was at the time this was written very little of interest in the actual fighting, which had been a one-sided affair. This does not mean that the war is over or that it can be quickly won by Italy, for nature is the major element in the Ethiopian defense. The Italians could not start operations until the rainy season had ended. The Ethiopian terrain and the lack of sufficient water and available roads were and are serious handicaps. Even with their modern and scientific equipment the Italians required about a year to get into position for the invasion.

The Italian method of operation has been simple and direct though very slow. In the north native troops led all attacks, which were preceded by airplane operations and supporting artillery fire, so that the attacks became merely a march to a specific objective. When the native troops reached the objective they halted and received the surrendering enemy while the Italian troops consolidated the seized area. This consolidation consisted primarily of road construction and adequate water provision in order that the next advance might be made, but involved also the propagandizing of not only the captured area but also the area toward the next few limited objectives. The method was slow but it had the effect of reducing Italian casualties to a minimum.

Inasmuch as the Ethiopians had no roads and depended upon foot, camel



Shaded areas indicate extent of Italian penetration into Ethiopia up to Nov. 10

or horse transportation, Italian lines of communication were fairly secure. A few armored cars at strategic points could protect the roads with little trouble. All that the air service had to do was to prevent unknown enemy concentrations within one night's march (for the Ethiopians) of the line of communications. With the airplanes to spot all concentrations of the Ethiopian Army within a day's march of the line of communications, it was a simple matter for the armored cars to concentrate at the threatened point and await any attack—a matter of minutes for the armored cars on the newly constructed roads and a matter of hours for the attacking nomadic army.

It is reliably reported that the Italian troops began operations by crossing the border north of Adigrat on Sept. 25. On Oct. 4 they were over the Mareb River and advanced upon Adowa, Adigrat and Aksum, while the air corps was bombing all concentrations of Ethiopians in that area. In the south they were reported to have bombed Harar and engaged Ethiopian troops north of Ualual. The Ethiopians seemed to be concentrating near Gondar, Dessye and north of Ualual and Dolo in the south.

On Oct. 5, 12,000 Ethiopians were said to have entered Eritrea near Sittona, west of Aksum. This is doubtful, as later events indicate that their commander was not there at that time. The Italian advance, meanwhile, in three columns, had taken Adigrat and Adowa without resistance. The centre column seems to have been held up in its attack on Maibaria, between Adowa and Aksum, presumably by lack of roads and water. The advance in the south continued on a broad front from Dolo to east of Ualual.

On Oct. 7 the church city of Aksum was reported as the next Italian objective. This city was carefully omitted from all Italian bombing missions. In the southern sector Gerlogubi was captured. A few French troops went to Diredawa to guard the railroad.

About this time Ethiopian concentrations were ordered as follows: Sakota area, 80,000; Walkait, 40,000 (this force is believed to have been mobilized for some time); Mabil area, 40,000; Dessye area, 30,000; Addis Ababa, 200,000. Some of these forces were over 200 miles distant from the enemy. In addition about 85,000 were opposing the attack in the south.

The next event of importance was the fall of Aksum on Oct. 11 and the completion of the road net Adigrat-Adowa-Aksum. Intermittent bombing by Italian planes continued. On Oct. 12 an Ethiopian chief and his army of 10,000 men were reported to have surrendered at Aksum. A week later the auto road to Aksum was reported completed. The Italian casualty report for northern operations up to this point was as follows: Killed—one Italian officer, five white soldiers, twenty-three native soldiers; wounded—a total of seventy. This indicated the almost total absence of combat resistance.

On Oct. 28 the Ethiopians were said to have attempted to cross the Setit River, in the northwest along the Sudan border. This move seems to have failed, because on Nov. 1 it was reported that the Italians had crossed the same river and had dispersed the Ethiopians in the neighborhood.

On Nov. 4 the northern army started towards Makale. This movement seems to have been in three columns. It will be noted that the last advance in this area was on Oct. 11, when Aksum was taken—in other words, an advance of a few days and a construction period of three weeks. On Nov. 8 Makale fell.

On the southern front there was practically no advance for about four weeks; merely backing and filling, extending to the right, extending to the left, then a short advance and then a withdrawal. These minor forays have not been specifically mentioned as they appeared to be only feints for the purpose of holding a large part of the Ethiopian Army in the neighborhood. By Nov. 10, however, Italian forces had penetrated toward Central Ethiopia as far as Daggah Bur, and a spirited drive for the important city of Harar had begun.

No further information was available at the time this article was written. The capture of Makale should have little effect on the situation as a whole, for neither the town nor the road net (if a cart road and a caravan route can be called a road net) are of particular importance. The Italians will probably devote several weeks to consolidation at this point.

It is interesting to note the effectiveness of the propaganda put out by the invaders as they move. Natives were said to be welcoming the Italians and offering produce of all sorts for sale. Even the monks, it is reported, have offered formal acts of submission. The inhabitants of the area are masters of deception, however, and how sincere they are in their welcome remains to be seen.

From all reports this is a logistic rather than a tactical war—that is, it is one of supply and transportation rather than one of tactical operations. The Italian advance is no faster than, perhaps not as fast as, the invasion of forty years ago. The reason for this may be caution born of the disaster that befell the earlier expedition, the difficulty in maintaining supplies for a motorized army, or a desire on the part of the Italians to placate the population and to colonize as the advance progresses.

Britain's Hold on the Suez Canal

By ROBERT L. BAKER

THE Suez Canal, besides being notable as an engineering achievement and the world's greatest artificial waterway, is a tremendously important strategic factor in international relations. While it has often been called the "jugular vein" of the British Empire, the present Italo-Ethiopian war shows that it is also the jugular vein of Italy's East African empire. If the canal were closed the forces now invading Ethiopia would be left in a perilous position, and Mussolini's attempt at conquest would undoubtedly collapse very soon.

Soon after the Council of the League of Nations condemned Italy as the aggressor against Ethiopia a strong agitation arose in Great Britain for the closing of the Suez Canal or for action that would have the same effect. Behind this agitation were the League of Nations Union and pro-League newspapers. One of the latter, the London *New-Chronicle*, predicted editorially that economic and financial sanctions would prove so ineffective against Italy that the League powers would be forced to consider the advisability of closing the canal. Lord Cecil, president of the Union, suggested more broadly "the cutting off of all communications between Italy and Ethiopia, and perhaps, in the last resort, the enforcement of some kind of blockade on Italy."

Various questions are involved by the international status of the Suez Canal. Among the most important are these: Who owns the canal? Can Great Britain, acting either alone or as executor of a League of Nations sanction, legally close or blockade the canal? Can the League of Nations legally override the Convention of Constantinople, by which the European powers guaranteed the freedom of passage to all countries through the canal in war as in peace?

As to ownership, the Suez Canal runs across the territory of Egypt, which is nominally an independent sovereign State, to whom all rights in the canal are to revert in 1968 unless the concession granted to de Lesseps in 1854 should be renewed. The canal is operated and controlled by the Compagnie Universelle du Canal Maritime de Suez, a private Egyptian joint-stock company with its headquarters in Paris. Of its thirty-two directors twenty-one are French. Great Britain has for more than fifty years assumed the exclusive right to defend the canal. While chiefly concerned with keeping communications open with the empire in the East, the British Government has a direct economic interest in the Suez Canal Company because it holds 44 per cent of its stock. As defender of the canal, Great Britain maintains garrisons at two points, Ismailia and Port Said, in addition to the main British force in Egypt at Cairo.

The status of the canal in international law is largely determined by the Convention of Constantinople, which was signed on Oct. 29, 1888, by Great Britain, Austria-Hungary, France, Germany, Italy, the Netherlands, Russia, Spain and Turkey. Article I provides that "the Suez Maritime Canal shall always be free and

open, in time of war as in time of peace, to every vessel of commerce or of war, without distinction of flag. * * * The canal shall never be subjected to the exercise of the right of blockade." The Khedive's right to defend the canal was recognized, and he was to call upon the Sultan, at that time his suzerain, for further aid. Should the defense be beyond the means of both Khedive and Sultan, they were to concert measures with the signatory powers.

Strict rules were laid down in the convention prohibiting the revictualing and refueling of belligerent warships in the canal, and requiring their speedy passage and departure. Hostilities were forbidden and the right of sanctuary to the vessels of a belligerent was denied.

Great Britain was nowhere specially named in the convention and owes her monopoly in regard to the defense of the canal to other circumstances. She occupied Egypt in 1882, ostensibly to help the Khedive to protect the canal and put down the revolt of Arabi Pasha. The occupation continued till 1914, when she declared a protectorate over Egypt. The peace treaties, which revalidated the signatures of the defeated powers to the Convention of Constantinople, also recognized Great Britain's assumption of the Sultan's rights as set forth in the convention. In 1922, Great Britain terminated the protectorate and declared Egypt "an independent sovereign State," but reserved to herself all questions affecting the defense of Egypt and the canal.

At the present time, therefore, Great Britain's status in regard to the Suez Canal is based on her relationship to Egypt, a relationship that is legally obscure, but is in fact a thinly disguised protectorate. Sir Arnold Wilson, an authority on British imperial interests in the Near and Middle East, declares that the relationship "differs but little from that of the United States in the case of the Panama Canal, though in practice it is so unobtrusive as to be unobservable in time of peace."

The canal has been closed for short periods by Great Britain on two occasions, in 1882 and in 1915, and in both instances she was herself a belligerent defending her own vital line of communications against attack. Early in the World War the rule against sanctuary was applied to a number of German and Austrian ships. After their allotted time had elapsed Egyptian gunboats escorted them beyond the three-mile limit, where they were pounced upon by British warships.

A notable test of the Convention of Constantinople occurred in 1904, when a part of the Russian Baltic Fleet was permitted to pass through the canal on its way to the Far East to engage Japan, then Britain's ally. Although a Russian warship flagrantly violated the rule against coaling, no penalties were imposed.

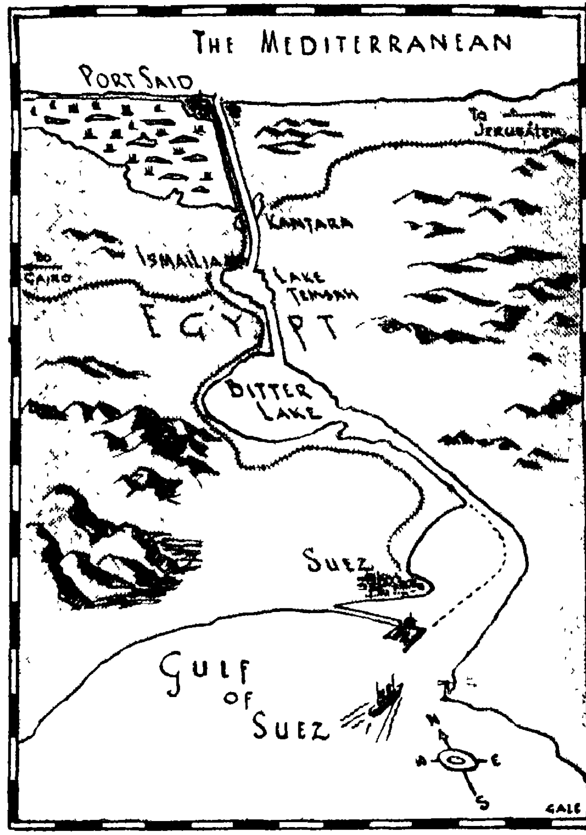
It appears, then, that the Convention of Constantinople guaranteeing the freedom of navigation in the canal even to belligerents, is operative, and that even if Great Britain were the hostile power she could not legally close the canal to enemy ships or seize them in the canal waters. At the present time, while Italy may be technically at war with all the members of the League, a state of war certainly does not exist, and she may continue to use the canal under the terms of the Convention as long as she abides by its rules.

Since Great Britain has declared that she will not act alone, but only according to League procedure, a method of legally closing the Suez Canal to Italy would have to be

worked out at Geneva. As the validity of the Convention of Constantinople was recognized in the Treaty of Versailles it is doubtful whether the League possesses the right to denounce the convention on the ground that it is "incompatible" with the Covenant of the League, which is likewise a part of the Treaty of Versailles.

According to expert opinion the only legitimate alternative to the arbitrary closing or blockading of the Suez Canal by Great Britain alone or acting under League sanction would be the invocation of Article XIX of the Covenant, which provides that "the Assembly may from time to time advise the reconsideration by members of the League of treaties which have become inapplicable." While the Convention of Constantinople could no doubt be revised in this way so as to permit the closing of the canal to a nation found guilty by the League of aggression, the process might be too slow to be of use against Italy. Nor is there much chance of its being adopted because France and the Little Entente have no desire to refurbish Article XIX or set a precedent for treaty revision in Europe.

The agitation in Great Britain to close the Suez Canal appears to have been born of the hope that Italy might thus be brought, by peaceful means, to abandon her conquest of Ethiopia. But there is no assurance that Italy would passively accept the severing of her lifeline to East Africa.



The Suez Canal

Apart from the application of military sanctions by the League against Italy, the only means of severing her communications with East Africa would be for Great Britain to blockade or close the Suez Canal to Italy on the rather remote ground of defending Egypt's interests. Even if war did not result, it has been suggested that Italy might appeal to the World Court under the optional clause to determine Great Britain's legal status in Egypt, the validity of the Convention of Constantinople, to which Egypt is not a signatory, and a number of other questions that Great Britain prefers to leave in their present somewhat confused and tangled state.

Keeping America Out of War

By CHARLES A. BEARD

DURING the late Autumn the chief series of occurrences lay in the domain of ideas rather than action—in the realm of theory rather than practice. In the formulas and phrases of the nation's public mentors and advisers, to be sure, nothing novel appeared. Daily events were selected and "interpreted" according to the customary and well-known maxims consecrated by years of usage on the Right and the Left. Perhaps the very climax in that sort of thinking was reached in Salt Lake City at a convention of Republican leaders, when John Brown defined "a fighting Republican party": "It must not be liberal, not conservative, not radical, not stand-pat, but Republican." Even in the defense of Federal financing, no Democrat rose to this pinnacle of finality.

But outside the circle of professional ritualists and expounders, something new seemed to be happening in the thought of the American people. It was the growing recognition of the fact that a Fascist dictatorship in itself really means war and that war, as a foreign affair, is a manifestation of interests and resolves in the sphere of domestic economy. As a collateral, came a dawning realization that pious aspirations do not guarantee peace, that the preservation of peace demands alterations in domestic ideals and practices.

A number of events conspired to awaken interest in the price of peace. First and foremost was the development of Mussolini's war in Ethiopia, accompanied by diplomatic negotiations among European powers and the unfolding of American policy. The publication of Harold Nicolson's *Dwight Morrow* helped. More especially did Robert Lansing's *War Memoirs* display the anatomy and morphology of economy and diplomacy. Continued discussion of the revelations made by the Senate Munitions Committee added to the clarification of opinion. News from the provinces that members of Congress on vacation were coming back in January resolved to tighten neutrality control indicated straws in the wind. Efforts of exporters to break through President Roosevelt's neutrality proclamation and warnings served to illuminate the nature of profits and war.

When Secretary Roper assured exporters that trade with warring countries was, after all, quite proper, Secretary Hull countered by renewing the warnings. He also added: "I repeat that our objective is to keep this country out of war." Later in the same week President Roosevelt reinforced the State Department by declaring: "I have pledged myself to do my part in keeping America free of those entanglements that move us along the road to war." Yet early in November Secretary Roper could rejoice in an enormous increase in the export of cotton, oil and other products to Italy.

An analysis of types of opinion, however, showed deep-seated divisions. A multitude of clippings from various sources reflected a firm resolve to stay out of war in the old isolationist spirit of 1915 represented by W. J. Bryan and Claude Kitchin.

With this resolve went a deep distrust of official promises and all efforts "to help Europe." Was not Woodrow Wilson pledged in 1916 to keep us out of war? From many directions came this query. Were not President Wilson, Secretary Lansing and Colonel House even then negotiating and planning to put the United States into the war "when public opinion was ready"? From stray statements by members of Congress came evidences that efforts will be renewed in the next session to make the Neutrality Law broader in scope, rigid in enforcement and absolutely mandatory on the Executive—on the constitutional theory that Congress, not the President, has the power to declare war.

Less strident, but vocal, were those advocates of peace who preferred to use diplomacy and pressure to prevent war in Europe, on the theory that the United States "simply cannot stay out of it when it comes." Leaders of this school, as a rule, deplored mandatory neutrality and advocated giving the President power to throw the weight of the country "on the side of peace in Europe," to choose between the "good" powers and the "bad," and to support collective sanctions applied to "aggressors." This is the school that would employ the risk of war to prevent war or end war. Though greeted by skepticism and irony on the Left, it stuck by its thesis in its efforts to shape public policy, and received aid and comfort from Secretary Hull in various statements, carefully and cautiously worded as they were.

Beyond doubt Secretary Hull was eager to do something to help keep peace in Europe, and in this connection was subjected to the influence of a third type of opinion. Supporting evidence for this conclusion was provided by the announcement that the State Department "was continuing its study of neutrality policy." To those informed on Washington affairs the announcement carried just one simple implication—the State Department, counseled by the Navy Department, was trying to work out "an optional law" which would give the President more power, through discretionary embargoes, over the issue of peace and war. Such a law seemed to be the only avenue of escape left open to the still powerful interests committed to freedom of the seas, that is, to the policy of keeping sea lanes open, beating down blockades and making extraordinary profits, through diplomatic and naval protection, out of favored belligerents and their neutral appendages.

This was the program which President Roosevelt, urged by naval advisers, sought to protect against Congress last Winter when he was compelled to surrender under a direct, if quiet, revolt in both houses. All he could save was a restriction of the embargo to "implements of war" and a time limit of six months.

Yet it is due to truth to say that there was a decided rift in orthodox navalism, although little was said about it in the columns of the daily press. Perhaps this was the most significant feature of the whole controversy. Early last Spring in a radio broadcast Admiral Sims had flatly declared: "Our trade as a neutral must be at the risk of the traders; our army and navy must not be used to protect this trade. It is a choice of profits or peace. Our country must remain at peace."

A survey of opinion among naval officers, conducted by the World Peace Foundation and made public in the Autumn, revealed that fifty-six senior officers were inclined to believe that the Sims plan of non-protection for war traders would be possi-

ble, as against fifty-four who were inclined to regard it as impossible. A second question was put: "If possible, is the Sims plan of non-protection desirable?" To this challenge fifty-eight naval officers replied in the affirmative and forty-five in the negative. Thus was demonstrated positively the actual dissolution of the orthodox navalism fostered by Alfred Thayer Mahan, Theodore Roosevelt, Henry Cabot Lodge and Naval Intelligence.

Yet in the situation as it stood in November there was no absolute assurance as to outcome. The tension in the Far East was increased by the growing intransigence of Japan on the Asiatic mainland. That tension was not relaxed in the slightest by a polite call at the Imperial Palace in Tokyo by an American official delegation, headed by Vice President Garner, during a tour to witness the inauguration of the Philippine Commonwealth—which is supposed to be independent in due course, when, as and if. Indeed, news from the Philippines was colored by the well known and easily recognized antipathy to "scuttling" and "shirking responsibility."

Nor did acceptance of the British invitation to a naval conference to assemble in London on Dec. 2 contain any promise of relief from naval rivalry or any escape from its inexorable upshot. Not even optimists expected any reduction in naval expenditures and naval preparations for The Day. On the contrary, an all-around increase in armaments seemed to lie in the auguries, especially with Japan able to play the United States and Great Britain against each other. The war sickness of 1921 had been dissipated. Moreover, the strange conjuncture of a Labor Prime Minister in London and President Hoover in the White House in 1930 had given way to the combination of a Tory government in Great Britain and a genial navalist in the White House in 1935.

Nevertheless the state of American thought in November, 1935, was not that of November, 1914. Even school children were aware of the preliminary report of the Senate munitions inquiry. Even pillars of society recognized and discussed openly the pressures of private greed in diplomacy and foreign affairs. Isolationists breathed fire and vengeance and declared that they would not be caught "napping" again. High naval officers frankly refused to regard themselves as the advance agents of trade and collectors of overdue bills. Ideas pointed preponderantly in one direction and practice in another, giving promise of a sharp antithesis when the question of renewing neutrality legislation comes on the carpet again. Something more than Executive pleasantries and diplomatic formulas may be required to defeat what appears to be a national resolve "to stay out of war," even at the sacrifice of immediate special interests as distinguished from long-term national interest.

ON THE BUSINESS FRONT

In the sphere of American domestic economy the improvement in business continued unabated into November. Production, profits and industrial employment remained on the up grade, although the number of industrial workers on private payrolls did not keep pace relatively with production. A statement from the Department of Labor on Oct. 24 reported industrial employment in September, based on 1923-35 averages, as 83.6 as compared to 81.8 in August, and 75.9 the previous year. The durable goods group, however, was still lagging, with an employment ratio of 71.2.

Nothing was done or said by Presi-

dent Roosevelt to mar "the business truce" or interrupt "the breathing spell." On the contrary, on his return from the Western trip by way of the Panama Canal, he declared optimistically: "We are on our way back; not just by pure chance, not by a mere turn of a wheel in a cycle; we are coming back solidly because we planned it that way." How much the improvement was due to "planning," to public expenditures, or to factors that economists call "natural" and "normal" remained a subject of dispute among bystanders, with no positive outcome, as usual.

In the railway industry no pleasing prospects were in sight, despite the improvement in carloadings over last year. The losses of Class I lines during the first six months of 1935, as given out by the Interstate Commerce Commission in October, were far heavier than during the same period in 1934, with prospects for increased outlays under the Railway Pension Act. Lawyers, receivers, trustees and bondholders' committees continued to wrangle in Washington over plans for the "reorganization" of lines in distress, without bringing a single prostrate structure to its feet again. Conflicts of policy in the administration prevented the RFC from effecting any "rehabilitations," if it had a mind to employ its money and powers to that end.

The growing railway distress, to which references have been made repeatedly in these pages, was marked on Oct. 23 by the collapse of the New York, New Haven & Hartford, and a petition for reorganization under Section 77 of the Bankruptcy Act. Thus another stage was marked in the long trail to ruin that was taken years ago when prudent New England investors and bankers yielded to the blandishments of superior wisdom in Wall Street. Yet in the presence of this crisis and crash, an eminent railway president remarked publicly in New York City that about all the railways needed was a let-up in government interference—a president whose line pays no dividends, on account of his imperial financing, and enjoys the bounty of RFC. About the same time a post mortem revealed that the Pennsylvania Railroad Company held 319,925 shares of New Haven stock and that its holding concern, Pennroad, owned 148,800 shares acquired at an average price of $115 a share. When, on the day of the receivership, New Haven common fell below 3, it appeared that there had been some lack of statesmanship even in Pennsylvania.

In collateral connection with railway bankruptcies, however, an incident of the month threw a flash of light into the gloom. In winding up the affairs of a bankrupt corporation, a Federal Judge in New York, who had received his education later than 1880, astounded the legal profession by making drastic cuts in the claims of lawyers and bankers "for services rendered." One banking house that asked for $100,000 received exactly nothing, and an affiliated law firm that demanded $150,000 was allowed exactly nothing. All in all, the court cut $2,213,000 from the combined bills of the reorganizers, foreshadowing, perhaps, a time when Mr. Justice Harlan Stone's dissent in the Chicago, Milwaukee & St. Paul fee case may become the opinion of the Supreme Court. If this happens in the railway world the prospect of having railroads managed entirely by men acquainted with transportation will be enhanced.

As in business, so in agriculture, the breathing spell was marked by signs of contentment. From AAA checks

continued to flow out to farmers, not overlooking Connecticut tobacco growers. The poll of farmers on the corn and hog program of control, taken late in October, resulted in an overwhelming vote favorable to the administration's policy, conservatively reckoned at 6 to 1 in support of "balanced production," coupled with conservation of the soil. In the ivory towers of urban news and opinion makers, especially savers of the Constitution, the results of the balloting created consternation and drew forth the usual comment now to be expected from those who know nothing about the actual uses of the soil supposed to be "wantonly withdrawn from cultivation." In point of cold fact, the new control contracts are more precise than the old contracts in requiring the use of land (withdrawn from specific production) for legumes and other soil building and conserving crops.

Although almost any city editor could have examined "reallocated acres" by taking a motor trip into the country, editorial and syndicated comments on the agricultural program of the government displayed, to say the least, a painful disregard of the facts in the case—economic facts and human facts. The mental suffering of urban manufacturers of opinion was greatly increased, about the same time, by an announcement from President Roosevelt that the administration was passing from a mere "emergency phase" to "a long-time, more permanent plan" for agriculture. This plan, the President explained, "was designed to prevent a slump back into the previous neglect of agriculture" and to broaden the present adjustment policy "to give farmers increasing incentives for conservation and efficient use of the nation's soil resources." The statement was the signal for a renewed outburst against "regimentation" by professional users of that mental stereotype.

THE WORLD OF LABOR

Current opinions in the world of organized labor were revealed at the national convention of the American Federation of Labor held in Atlantic City near the middle of October. At this assembly was renewed the struggle over craft unionism and industrial unionism which has engaged the attention of labor leaders for nearly a century. The directors of the Federation were charged from the floor with violating the spirit of resolutions voted at the last convention of the Federation and with refusing to promote the unionization of unorganized millions outside the orthodox fold. Industrial unionists, militantly led by John L. Lewis, proposed a resolution recognizing the rights of workers to form industrial unions without regard to craft lines and to accept into membership all workers employed in the industry or establishment without regard to jurisdictional claims.

Speaking on this resolution, Mr. Lewis said: "On the momentous decision of this convention rests the future of the American Federation of Labor, for it will tell whether the Federation can be forged into an instrumentality for all the workers or whether it will rest content with rendering service to but a paltry 3,000,000 or 5,000,000 instead of 40,000,000 who want to be union men." The resolution was defeated by a substantial majority, but the sponsors of industrial unionism registered an increased vote and expressed confidence that in a year or two victory would be attained.

Among the other actions of the convention several were of particular sig-

nificance. A truce was made with the American Legion. That body is to put restraints on the strike-breaking activities of its members, and the Federation is to join it in waging war on the Reds. The executive council's proposal to bar from membership in any union all persons known to be Communists was defeated, however, and Communists were merely excluded from seats in State labor federations and in central labor bodies. The convention voted to sever official relations with the National Civic Federation—one of the professional "red-baiting" agencies. The boycott of Nazi goods, withdrawal from the Olympic Games in Germany and the condemnation of Italy's invasion of Ethiopia were approved. A resolution endorsing an amendment to the Constitution of the United States empowering Congress to enact social legislation was carried, despite the strenuous opposition of Republican labor leaders in the convention. Open discussion of the call for an independent labor party was forced, but the proposal to form such a political body was voted down. William Green was re-elected president of the Federation. As usual, both sides professed satisfaction with the outcome, but industrial unionists seemed more confident than ever.

During the debates at the convention of the Federation the struggle over industrial unions drew into consideration the question of labor relations under the Guffey-Snyder Coal Act and the Wagner-Connery Labor Act. Craft unionists expressed some fears of resort to government protection for collective bargaining, as if it smelled of coordination and the corporative State. But experience under these acts had not gone far enough to warrant more than an airing of opinions. Indeed, not until October were any complaints taken up by the new National Labor Relations Board.

In the course of that month several charges were filed against employers, alleging unfair labor practices. Among others, the Pennsylvania Greyhound Lines, Inc., was accused of discharging employes for joining a union, intimidating employes and giving money to a company union. Owing to the importance and clear-cut nature of the Greyhound case, there were indications that it would be chosen for presentation to the Supreme Court in testing the constitutionality of the Wagner Act.

Speaking at the Federation convention, Chairman J. Warren Madden hinted at the line of argument to be made: "If Congress may protect the flow of a regular stream of livestock through stockyards, through packing plant to consumer, by regulating the management of stockyards, why may it not protect the interstate stream of raw materials, through factory to consumer in another State, by preventing unfair labor practices in the factory which threaten to interrupt that flow?" To provide a negative to that question, the Supreme Court will have to make interesting discriminations.

Despite the indisputable signs of advance in business and the general contentment of the Federation of Labor, the amount of unemployment in the country remained oppressively large. After reporting a decrease of 26.1 per cent in unemployment in manufacturing and mechanical industries for September, 1935, as against September, 1934, the Industrial Conference Board placed the total number of unemployed workers at 9,466,000 in the first Autumn month. Owing to rationalization and the adoption of labor-saving devices during the depression, industries were able to increase their output without adding a proportionate number of workers.

If the Federal Government was to "taper" off public expenditures for employment purposes and industry could not rise far above 1928 in activity, then arrangements would have to be made for carrying on indefinitely the system known as "the third economy"—a large body of workers not gainfully employed in agriculture and business, dependent upon charity and government for subsistence at a low level of living. Given the present thought and temper of leadership in the United States, this meant coming sooner or later to the permanent dole as "the cheapest way of supporting the misfits." This outcome of "the American dream," though widely accepted by practical persons as inevitable, threw shadows athwart the sunlight of Wall Street.

Some part of this unemployment, no doubt, was due to the long delay in getting the work-relief program into operation. On Nov. 2 Administrator Hopkins conceded that he was still far short of the goal set last Spring—the employment of 3,500,000 persons on public enterprises. Late in October the number actually engaged in such work was 1,500,000 in round numbers, but Federal funds were being rapidly released and the hope was expressed that the remaining 2,000,000 would be employed by Dec. 1, the date set for putting an end to direct Federal relief payments. In fact, the plan for ending the dole, proposed by President Roosevelt in his January message, appeared to be ditched by stubborn realities. More money was spent by the Federal Emergency Relief Administration during the first ten months of 1935 than during the same period in 1934, and State agencies of relief were fearful lest the withdrawal of Federal funds after Dec. 1, as threatened, might leave them stranded in the presence of an insuperable problem.

Hence the possibility of abolishing the dole diminished as national leadership grew accustomed to thinking of "the third economy" as permanent. Cumulative evidence indicated that the next session of Congress will have the issue on its hands, when and if it begins to consider "retrenchment" in Federal expenditures.

PARTIES AND POLITICS

As usual, the movement of economic interests and opinions was entangled in partisan interests and opinions. The improvement in business conditions in the industrial sections was accompanied by a revival of Republican buoyancy. At conferences, banquets and celebrations industrial leaders made it fairly clear that in case "prosperity returns" they have no intention of attributing it to the Roosevelt administration but propose to get rid of the New Deal as soon as possible. The fear and gratitude of 1933 have practically disappeared. Hope and opposition have taken the place of alarm and thanksgiving. Indeed, according to the new mythology, President Hoover had stopped the panic, and President Roosevelt had renewed it—for mere political purposes. The process of consolidating industrial and financial interests against the administration, long open to observation, was continued through October into November, apparently on the assumption that "we are now definitely out of the woods."

Hints were not wanting that administration leaders recognized the loss of support in the regions of industrial and business concentration, especially New England. But this recognition was not followed by any signs of despair. On the contrary it was accompanied by renewed attention to the West and South—old strongholds of agrarian democracy. Woodrow Wilson

lost Connecticut, Delaware, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island and Vermont in 1916; he even lost Indiana; and yet he was re-elected President by a safe popular and electoral vote. This lesson was not overlooked during the political discussions of the Autumn.

Something more exact than the shrewd hunches of political observers was introduced into the prognostications of October. For many years students of public opinion have been developing statistical techniques for "sampling" and measuring states of, and trends in, popular opinions. In 1934 the American Institute of Public Opinion, a nonpartisan fact-finding organization founded in Washington, began to apply the new techniques to the discovery of movements in thought. On Oct. 27 the Institute made public the results of its latest statistical survey. These results indicated a decline in the popularity of President Roosevelt in every section except the Mountain States as compared with 1932. But, despite the decline, the President maintained a comfortable majority in all sections, save New England, where it was reckoned at a bare 51 per cent of the poll. From these returns the general conclusion was drawn that at the moment of the poll the President could be re-elected safely, but not in a landslide comparable to 1932.

Important as were the Institute's findings, they were far from conclusive. They could not forecast the type of candidates to be picked for 1936 by Republicans under the inspiration of J. Henry Roraback and Charles D. Hilles, and hence the form of choices to be presented to the voters. The Institute's poll month by month revealed also the trend in the decline in President Roosevelt's popularity, to which reference has been made in these columns on the basis of inferences from clippings. The decline was fairly steady from November, 1934, to September, 1935, when it nearly touched the bare majority line; but a turn upward came in October, 1935.

Amid signs of "recovery" and a slump in Democratic felicities the partisan aspects of the national scene showed some symptoms of clarification. By openly declaring that the supreme issue of 1936 was "trust busting," and by making a sharp attack on the conservative wing of the Republican party, Senator Borah committed "political suicide," to use the vernacular. His action strengthened the conviction in informed circles that the next Republican National Convention will be controlled by conservatives and that they will seek to make the leading issue of the campaign "the preservation of the American system of government." This sentiment appeared among the leaders who gathered around ex-President Hoover during his visit to the East on "business engagements" and among party managers who held themselves aloof from the Hoover faction. Confidence in victory on the issue was not expressed in unmeasured language, to be sure, but no slogan offering better prospects was evolved by the Republican board of intellectual strategy.

Concerning the shape of things to come the elections of Nov. 5 made few revelations. Little could be gleaned from contests over legislative seats in New York, New Jersey and Virginia, although much had been said by campaigners about the New Deal. In New York the recapture of the Assembly by the Republicans was hailed on that side as an auspicious augury for 1936, but an analysis of the total vote in relation to the constitutional gerrymander of that State pointed in the opposite direction. Nor did the defeat

of Democratic candidates for local offices in the old Republican stronghold of Philadelphia provide a Q. E. D. for next season. The failure of the Republican candidate for Governor in Kentucky could be discounted as a minor incident in a factional squabble. If there was any meaning in the fairly even balance in New Jersey, it might be ascribed to local accidents rather than to any high resolves on national issues. On incomplete returns, about the only safe generalization seemed to be that reaction had set in against the Roosevelt administration in the East —a conclusion already made manifest in other indices.

AMERICAN CIVIL LIBERTIES

Occupying less space in the news columns than reports of partisan manipulations and minor election contests, but perhaps more significant for the future of "the American system of government," were numerous cases coming under the head of "civil liberties." Teachers in Massachusetts, including Harvard professors, bowed to the recent statute requiring educators to take the oath of allegiance, but an 8-year-old schoolboy at Lynn was expelled for refusing on religious grounds to salute the flag. The case of a local teacher who begged relief as a member of the Jehovah's Witnesses sect was deferred for consideration. In New Jersey two children were ousted from school for declining to salute the flag and for placing allegiance to God above loyalty to the United States.

At the national capital some turmoil rose over an act of Congress forbidding the teaching of communism in the schools of the District of Columbia. On the one side school authorities interpreted the act to mean a prohibition of propaganda, not a ban on the scholarly presentation of "the facts of communism." On the other side critics of the school administration contended that under the law nothing pertaining to Russia could be presented in the school rooms save "the bare geographical facts." This pedagogical issue may be laid before the Supreme Court for decision, if sponsors of the Red drive insist upon pressing it.

In the world of adults several old cases involving civil liberties continued to command attention and new cases appeared on the docket. Angelo Herndon, convicted under a Georgia "insurrection" law of 1866 and denied relief by the Supreme Court of the United States on technical grounds, was returned to an Atlanta prison on his way to the chain gang for a long period of years, with no hope of escape save through a pardon from Governor Talmadge or some new proceedings in Washington. In Aztec, N. M., a case was added to the long list of labor conflicts by the conviction of three of ten defendants charged with murder in an industrial dispute. In the trial the court was sustained by the United Patriots of America, a local association of vigilantes, while relatives and friends of the prisoners were arrested and imprisoned for agitating in favor of the defense. Conflicts and murders were reported from sharecropping regions of the South in connection with activities of the Southern Tenant Farmers Union. A State Senate committee in Wisconsin, after investigating the university, denounced President Frank as "a Communist" and called for a general "purification." At Williams College, according to reports, the administration of the constitutional oath to professors was made the occasion of a satirical demonstration by students, accompanied by goose-stepping, Hitler salutes and the unfurling of a swastika banner.

Liberal Victory in Canada

By J. Bartlet Brebner

Despite the previous fears of stalemate among five parties, the Canadian election of Oct. 14 was a resounding climax to the recent series of Liberal landslides in the Provinces. Mackenzie King's party scored the most sweeping electoral victory since Federation. Its share of the vote was only 46.6 per cent, but it took all but one seat in the Maritime Provinces, all but five in Quebec and upset Tory Ontario for the first time since 1874 by capturing fifty-five of the eighty-two constituencies. Liberal strength faded somewhat in the distressed West, where the party captured Manitoba and Saskatchewan, but failed to win Alberta and British Columbia. About 66 per cent of the voters went to the polls and about one-quarter of the votes went to third parties, an increase of 400 per cent over 1930. Ironically enough the two-party system persisted in strength largely because three "third" parties split the vote.

The outcome was a national mandate to the Liberals. Nor could the sixty conservative Liberals from Quebec any longer dominate the party as they had in the past. Mackenzie King might have a difficult time in riding the various kinds of Canadian Liberalism, but no one group could dictate policy. The combined delegation from industrial Ontario and Quebec seemed to promise solicitude for industry and business, but the Ontario group in particular had shown somewhat more concern with social problems than reverence for high finance. In addition, the fishermen and woodsmen of the Maritime Provinces and the wheat-growers of Manitoba and Saskatchewan had undoubtedly voted for lower tariffs.

The election temporarily reduced the Conservatives to an Ontario party, and to a minority even there. In Alberta the Social Credit gospel was still potent enough to win all sixteen seats except Mr. Bennett's in Calgary. The Cooperative Commonwealth Federation suffered sadly from this new faith in Alberta and Saskatchewan, but did a little better in British Columbia. In all, however, their group dwindled down to eight members. H. H. Stevens's Reconstruction party won more votes across Canada than the C. C. F. or Social Credit, in spite of its hastily improvised organization, yet only its leader secured a seat. It was generally felt that the Reconstructionists had attracted normally Conservative and C. C. F. votes, thereby aiding the Liberals without gaining seats for themselves. The so-called "ginger group" of nine United Farmers of Alberta was wiped out by the success of Social Credit.

Mr. King showed both courage and pliancy in the difficult job of Cabinet-making. He shelved a good many loyal veterans to give place to younger enthusiasts. For purposes of economy he reduced the Cabinet from twenty-one to sixteen. He promised the excellent innovation of appointing Parliamentary secretaries to assist the Ministers and the Civil Service Deputy Ministers. He persuaded his former Minis-

ter of Finance, C. A. Dunning, to give up an important business position and take his old portfolio. On the whole the Cabinet was praised by Conservatives as well as Liberals, for Dunning's recent weight in the business world seemed to assure orthodoxy at the Treasury.

London, Washington, Tokyo and Moscow quickly indicated their belief that the election meant easier access to the Canadian market. Mr. King strengthened this impression by notifying the American and Japanese Ministers at Ottawa of his intention to seek better trade relations and by accepting President Roosevelt's invitation to stay at the White House on Nov. 8 while on his way to the South for a holiday.

The meeting between Premier King and President Roosevelt was highly successful. A communiqué issued on Nov. 9 declared: "There is complete agreement on the objective of a greatly increased flow of trade for the benefit of both countries, and substantial progress has been made toward this end." Behind the language of diplomacy was something very real, for Mackenzie King hurried back to Ottawa and summoned a Cabinet meeting for Nov. 11. Then he announced that a trade treaty had been signed.

Within Canada the government had immediately to consider the need for social services and for integration of taxation and financial burdens. Mr. King promptly referred Mr. Bennett's social and economic legislation to the Supreme Court for decisions as to constitutionality. He successfully appealed to the Provinces for a Dominion-Provincial Conference on Nov. 27, when he hoped to get the facts on Provincial needs, rights and capacities in unemployment and relief, to find out how Federal and Provincial powers were divided, and to reach agreement on both aims and methods in case it should prove necessary to amend the Constitution. He enjoyed the immense advantage of having Liberal governments in eight Provinces and the rather bewildered Social Credit régime in the ninth.

Mr. King seemed bent on belying Mr. Bennett's gibes at his inability to act decisively and on doing so within his own terms of democratic instead of autocratic methods and of broad principles instead of impulsive acts. He startled the country by canceling a number of large Conservative works contracts and by abolishing harbor commissions in seven ocean ports in accordance with the Gibbs recommendations of 1932. A board of three civil servants supplanted the local groups that had too often distinguished themselves by competitive expenditures on unwarrantably large harbor works. It seemed likely that Mr. King would follow Mr. Bennett's practice of leaning heavily on the civil service and of building it up by careful appointments to the higher ranks.

THE WHEAT MARKET

The election upset the wheat market because of previous Liberal attacks on government support for prices. The world expected that the carryover and the new crop would be sold for what they would bring. At the same time the warlike tension between Italy and Great Britain relaxed, so that the Winnipeg price fell from nearly $1 a bushel to below the government's rate of 87½ cents, taking the world price with it. Mr. King's response was to place the Wheat Board under a Cabinet committee, with W. D. Euler as chairman. Mr. Euler announced that Canadian wheat would not be dumped and that the board would continue its operations.

The price situation, however, was still uncertain at the beginning of November, and exports during October were disappointing, largely because of a persistent ten-cent price differential at Liverpool with Australian and Argentinian wheat.

ONTARIO'S ECONOMIC WORRIES

The Ontario Government during October faced serious problems affecting its own Hydroelectric Power Commission and the privately owned paper industry. Legislation was recently passed authorizing cancellation of contracts for power awarded to four Quebec companies by the previous Conservative government. Under these contracts the Ontario commission had to buy 525,000 horsepower which it either could not use or had to resell at a loss, the annual deficit being $12,000,000. After long negotiation with the companies and with bondholders as well as shareholders, attempts to compromise broke down and the commission refused to accept the unwanted power.

The paper problem arose when a group of twenty-five American publishers proposed to acquire a bankrupt Ontario paper company. The courts and government were asked for approval, but the question arose as to whether potential dividends on the stock of the new company would not amount to rebates to consumers of Ontario paper. The industry had already been alarmed by one company's raising its price for 1936 by only $1 a ton when $2.50 or $3 had been anticipated. Uniform prices are practically dictated by the usual form of contract with American consumers, but these have not ironed out bankruptcies. Price and retention of control by prbducers instead of by consumers were sufficiently important to engage governmental attention, but a settlement would have ultimately to include the Province of Quebec. On Nov. 5 the government announced its opposition to the specific reorganization asked by the American group and also to "further efforts to complete this plan or any other plan of this character."

UNREST IN NEWFOUNDLAND

At a public meeting in St. John's, Nfld., on Oct. 30 a resolution was passed declaring that "discontent is general throughout the country" and calling for the restoration of responsible government. A reaction against the Anglo-Newfoundland Commission Government which rescued the country from bankruptcy has been inevitable for some time. One complaint has been that salaries to magistrates and other officials are too high. The commission retorts that decent salaries have eliminated graft.

Newfoundland's economic position, always weak, has been made worse by quota systems and exchange fluctuations in countries which buy her cod.

Even after the conversion operations which lightened the annual interest burden by 40 per cent and the generous grants from the British Colonial Development Fund, Newfoundland is barely able to approach a balanced budget. Only by a substantial increase in exports can she reduce her heritage of debt from unscrupulous past administrations. The reports issued in December, 1934, and May, 1935, by the Commission of Government and H. F. Gurney's *Report on Economic Conditions in Newfoundland*, of March, 1935, although drawn up by British officials, show that the commission's task is an unenviable one. Most of their experiments appear to have been both ingenious and judicious, even if they have involved new expenditures.

The Chaco Peace Fiasco

By HUBERT HERRING

THE high hopes entertained in June and July for an enduring peace between Paraguay and Bolivia had disappeared by the first week in November. The neutral members of the Chaco peace conference, after nearly four months of negotiation, faced virtual defeat on every issue.

Paraguay continued her demands for all conquered territory, that is, for all the disputed area of the Chaco. Bolivia pressed her claims to substantial sections of the Chaco with access to the Upper Paraguay River. Paraguay turned a deaf ear to all pleas for mercy in the repatriation of some 28,000 Bolivian prisoners. The only gains won by the negotiations had been the cessation of hostilities, forced by sheer exhaustion, and the demobilization of the rival forces to an effective strength of about 5,000 men on each side. The attempt of the opposing generals to force peace upon their countrymen proved abortive.

By Oct. 28 the neutral members of the conference were forced to console themselves with the hollow mockery of a peace declaration, which for all its diplomatic correctness probably represented neither the conviction nor the purpose of either belligerent. This declaration was in line with the protocol of June 12, 1935, under which the fighting ceased and the peace conference was authorized to declare the war officially ended as soon as the armies had been demobilized and guarantees taken against the resumption of hostilities.

The neutral military commission had reported to the conference on Oct. 18 that the prescribed demobilization had been completed, that neither Paraguay nor Bolivia had bought new armament and that they had complied with their pact of non-aggression. With the end of the war thus officially announced, the status of belligerents and neutrals officially disappeared. This action of the conference gave force to Bolivia's insistence that her nationals held as prisoners by Paraguay should be released. Paraguay on Nov. 1 showed no sign of yielding to this argument, contending that the release of prisoners must await the signing of a peace treaty. In the meantime, the neutrals had drawn up a treaty, only to have it immediately rejected by the rivals. They contended that no treaty could be considered to which the former belligerents were not party, while the neutrals had found it impossible to bring the opposing delegations together in the same room.

The seeming hopelessness of arriving at any agreement was augmented by the political confusion within the belligerent countries. Both Presidents, Ayala of Paraguay and Tejada of Bolivia, seemed intent upon using the situation to extend their own terms of office, in contravention of their national Constitutions. Both faced angry opposition. Neither could assume a realistic attitude toward the peace settlement without giving new weapons to the opposition forces.

One other wan gesture was made by the conference on Oct. 21, when it was agreed to appoint a committee to de-

termine responsibility for the war, each former belligerent to name one nation as its representative, the third member to be a "magistrate of the Supreme Court or some other high judicial official of the United States." Under the terms of the June protocol signed by the belligerents, if the decision of such a committee were not accepted within thirty days, the whole issue would be referred to The Hague.

The tangle was made worse during October by friction between Paraguay and Argentina. The administration press in Asuncion accused Argentina of using the Chaco war as a screen for seizing strategic points on the Pilcomayo River. Further fuel to the flames were charges that the Standard Oil Company had constructed a secret pipe line across the Bolivian-Argentine border to escape Bolivian export taxes. The governments of Bolivia and Argentina were investigating this charge during the first week in November. The suspicion was expressed by competent bystanders that these charges and counter-charges had been inspired in the respective Presidential offices in order to distract public attention from internal political unrest.

ARGENTINE CONFLICTS

Business is better, politics worse—that seemed to summarize Argentinian developments up to the first week of November. The efforts of President Justo to hold the refractory Provinces in line continued. On Oct. 1 marines were sent to the Province of Santa Fé to quiet the general strike against the Federal Government's policy of superseding the Province's elected authorities with a Federal commissioner. The strikers had compelled business houses to close, there were no street cars or buses, schools were closed, and a shortage of foodstuffs threatened. The strike evidenced the stubborn mood of the Argentine people, which angrily resents any inroads upon constitutional rights. The Justo government saw its power threatened by the political revolt in the Provinces, and was taking desperate measures.

On Nov. 3 elections were held in the Province of Cordoba and in Buenos Aires. The tactics of the government were so high-handed and the indignation of the press so strident that a rigid censorship was imposed on all outgoing news. *La Nacion* and *La Prensa* denounced the government in harsh terms. The newspapers reported that every possible form of fraud and coercion had been resorted to, and charged the government with full responsibility. They described the contest as a bitter chapter in the conflict between two epochs—oligarchy and democracy.

The economic situation steadily improved during the first nine months of 1935. Argentine exports were up 10 per cent in September as compared with September, 1934. For the first nine months of 1935 Argentina had a favorable trade balance of $98,110,000 (figured in United States dollars), as against $97,877,000 for the same period in 1934. During this period Argentine exports to the United States more than doubled, as compared with the preceding year. Argentina's imports from the United States increased during the same period by about 10 per cent over the same period of 1934.

In the meantime the Argentine Government continued its policy of discrimination against the United States, under which importers of American merchandise are required to pay a surcharge of 12.5 per cent when purchasing drafts to pay for their imports. In view of the doubling of the exports to the United States, Ameri-

cans doing business with Argentina felt amply justified in entering emphatic protests against this discrimination.

The Argentine drive for larger cotton production is on. It was announced in October that cotton acreage would be increased by 25 to 30 per cent during the coming season. It was estimated that approximately 800,000 acres in the northern subtropical area of Argentina would be devoted to cotton culture. Plans were made public under which State aid will be extended to cotton producers, colonization in the cotton area stimulated, seed furnished and scientific methods encouraged.

FOREIGN CAPITAL FOR MEXICO

President Cardenas assured the world on Oct. 23 that Mexico is ripe for the investment of foreign capital. He dwelt upon the possibilities for industrial expansion and the need for capital to finance such expansion. He vigorously denied the widespread conviction that Mexico is afraid of foreign capital, and with equal vigor announced Mexico's determination to deal fairly with alien investors.

If land is taken for subdivision among the Indian villages, the President said, it will be paid for with bonds which the Mexican Government pledges itself to redeem at par. There will be no confiscation in the industrial field, only regulation such as is accepted in other countries. The recent reduction in the price of gasoline was justified, he said, by the earnings of the companies and by the needs of the population. He closed his argument and invitation by laying down the one condition under which foreign capital would be welcomed—strict adherence to the law of Mexico—and by promising the government's fullest support to those who dealt fairly.

President Cardenas's invitation was met in New York financial circles by various rejoinders. Some hailed it as the promise of happier days and as opening the doors to mutually profitable investment. Others insisted that it would be impossible for American capital to proceed with any assurance until old scores had been settled. Some questioned whether it was possible for a foreigner to do business in Mexico so long as her labor codes stand; others with equal experience in Mexico contended that those who played fairly under the Mexican rules have as good a chance to make money and survive in Mexico as in the United States.

Still others, equally conversant with Mexico, responded to the Mexican President's argument by suggesting that Mexico's present favored economic condition is largely traceable to her having had for some years to rely upon herself. Unable to borrow, as many of her neighbors had, she had developed her own resources in an independent fashion. She had thus become to a large degree immune to the financial storms so disquieting to her industrialized and therefore less independent neighbors.

MEXICAN CHURCH QUESTION

A new chapter in the Mexican church question opened on Oct. 18, when a petition was sent to President Cardenas by fourteen Archbishops and Bishops on behalf of the entire hierarchy of Mexico. The petition was moderate in temper, professed eagerness to cooperate for the largest good of the country, and begged such modifications of the church laws as would permit the ministry of religion to be conducted without the grievous handicaps at present imposed. Specific changes were asked in Articles 3, 24, 27 and 130 of the Constitution.

The first article provides for socialistic education and the exclusion of religious teaching in schools; the second for religious freedom when "such practice does not constitute a transgression of the law of the land"; the third for the nationalization of all church property; and the fourth for the number of priests allowed to function. The prelates asked for recognition of the right of private schools to teach religion, and the banning of atheistic and socialistic teaching in the public schools; the ending of artificial bans on the freedom of religion; the lifting of the ban against church ownership of property; the assurance of religious liberty in the matter of free appointment and functioning of priests.

The President, in his reply on Nov. 5, announced that the laws of Mexico regulating religious institutions and divorcing education from religious teaching would be rigidly enforced. At the same time he reiterated his stand that Mexico's program was not antireligious, but that the teaching of religion must be confined to the home and church. Implicit in the statement was the promise to respect the right of the church so long as religious instruction was conducted within the limits of the law.

It had been hoped that President Cardenas would permit changes in the law to remove the tension. At the same time, those close to the church aver that in practice the church groups are having a happier time than has prevailed for several years. The laws, they say, are being enforced with less rigidity and with more deference to the convictions of the people. Furthermore, they are heartened by the interchange of opinions between the hierarchy and the President. The very fact that the heads of the church felt free to raise their voices and that the President responded indicates a mood quite different from that which prevailed under Calles.

COLOMBIAN TRADE AGREEMENT

The reciprocal trade agreement between the United States and Colombia, signed in Washington on Sept. 13, was finally published on Oct. 9. To become effective it must be approved by President Roosevelt and the Colombian Congress. Its terms resemble those of the previous Latin-American agreements. In each case, the Latin-American signatory has agreed to drastic reduction on tariff rates for imports from the United States, and has in return been assured that the United States would continue to treat it as well in the future as in the past.

In the case of Colombia, the United States is assured tariff concessions on more than 150 classifications, covering several hundred products. The reductions ranged from 16 per cent to 90 per cent, and according to the State Department in Washington "affect a broad range of commodities for which the Colombian market is of particular interest to the American producers."

These commodities, on which duties are to be reduced, or protected against increase, account for 58 per cent of Colombia's imports from the United States in 1933. Included in the list are some agricultural products, notably lard, formerly the most important agricultural import from the United States. The Colombian tariff reduction on lard is 50 per cent. Other reductions, ranging from 20 per cent to 70 per cent, are provided on a wide range of processed meats, fruits, vegetables and milk; on certain leathers; and on tobacco and cigarettes. Sharp reductions in the tariff schedules for automobiles, machinery and

electrical equipment are included; in the case of passenger cars, there is a reduction of 20 per cent to 25 per cent, on trucks and buses of 50 per cent; on typewriters, cash registers and adding machines of about 66 2-3 per cent.

The United States, in return for these substantial concessions, promises Colombia that her leading commodities will remain on the free list. These include coffee, bananas, uncut emeralds, crude ipecac, platinum and a number of less important items.

On the face of it, Colombia does most of the conceding. Any agreement with Colombia would be open to that charge, for 80 per cent of Colombia's imports from the United States are at present dutiable under her tariffs, while 94 per cent of Colombia's exports to the United States are on the free list. Furthermore, two of Colombia's chief products, coffee and bananas, are poor staples with which to bargain. There is too much of them elsewhere.

Secretary Cordell Hull and his associates in the Department of State look to the agreement as the instrument for restoring to the United States the export trade formerly enjoyed with Colombia. This amounted to $58,596,000 in 1928, fell to $10,670,000 in 1932 and reached $21,943,000 in 1934.

CUBA'S POLITICAL PARTIES

The first week of November saw the politicians of Cuba in dress parade for the election set for Dec. 15. But the island was troubled throughout October by the continuing repressive measures of President Mendieta and Colonel Batista. There has been an armed truce for many months, with fitful suppression of the freedom of the press, the sniping of students and radical labor groups, and with a growing sense of frustration and hopelessness.

By Nov. 1, three parties or coalitions had emerged, each with their candidate for the Presidency. President Mendieta's Nationalists had fused with the Republicans and nominated Dr. Miguel Mariano Gomez. The Liberals had put forward Dr. Carlos Manuel de la Cruz, and the Democrats had named ex-President Mario G. Menocal.

The three candidates proposed are all representatives of the old guard of Cuban politics. Gomez and de la Cruz are forty-five years of age, but their habits and mind are patterned after those "men of '95" of which the ABC enthusiasts were wont to speak so contemptuously. Menocal's past performance is too well known to leave any doubt as to his course in office. He offers little hope to those who during recent years have hailed the redemption of Cuban politics.

There is one man who stands to win, no matter how the election may go—Fulgencio Batista, the most astute and powerful figure in Cuba. He controls the army, a well disciplined and promptly paid body, and with the army he bids fair to control the State and whoever is elected to preside over it. There will unquestionably be attempts to challenge his power, but those close to the scene question whether his hold can be broken from the outside. There is, at the moment, no sign of a break from within. The army has a full stomach, and so long as he keeps it full, Batista can rest content, as Presidents come and go.

British Election Issues

By RALPH THOMPSON

GREAT BRITAIN'S general election, the first in four years, was called, fought and decided within the space of three weeks. On Oct. 23 Prime Minister Baldwin rose in the House of Commons to announce formally what every one already knew—that the King had been "graciously pleased" to grant the dissolution of Parliament and that balloting for a new Parliament would be held on Nov. 14. While the actual results were not available at the time this magazine went to press, there seemed no doubt of the outcome. Mr. Baldwin and his Conservative colleagues would be returned, and His Majesty's government would carry on much as it had before.

It was the cut-and-dried character of the election, indeed, that inspired many of the Opposition's campaign speeches. What, apparently, had Mr. Baldwin been astute enough to do? He had summoned Parliament on Oct. 22, a week earlier than scheduled, given over three days to debate on the government's foreign policy, and then, on the fourth, assembled both houses in the Lords for thirty minutes or so to hear the Lord Chancellor announce the prorogation. Matters of domestic policy—unemployment, relief scales, the Depressed Areas? These there had been "no time" to discuss. In the Opposition's opinion the government had purposely chosen to go to the country during a crisis in foreign affairs, at a time when party lines had been almost obliterated in a burst of enthusiasm for the work done at Geneva by Sir Samuel Hoare and Captain Anthony Eden.

Mr. Baldwin's reasons for calling the election were naturally somewhat different. He told the Commons that the choice of dates was limited to a short period in the Autumn or to another early in the Spring ("a remarkable constitutional discovery," observed the *Manchester Guardian;* "it will make hay of all the textbooks") and that of the two the earlier seemed the more desirable because no one could tell how foreign affairs would stand in the Spring. Besides, the government had heavy worries because of the Ethiopian war, and he wished so far as possible to spare it the bother of thinking "Now, when can we go to the country? When can we find the time to interfere with this most important work for three or four weeks?"

At any rate, the election was scheduled and campaign speeches almost immediately began to fill the air. The government's policy was stated in a manifesto issued on Oct. 27 over the signatures of the Prime Minister, Ramsay MacDonald and Sir John Simon: "The League of Nations will remain the keystone of British foreign policy"; "the defense program will be strictly confined to what is required to make the country and the Empire safe and to fulfill our obligations toward the League"; "trade barriers will be reduced by means of bilateral commercial treaties"; "unemployment insurance for agricultural workers"; "creating additional employment by use of credit and other resources of the State"; "maintenance

of the existing powers of the Unemployment Assistance Board"; &c.

The Labor party's manifesto, signed by C. R. Atlee (temporary leader of the party following George Lansbury's resignation), Mrs. Jennie L. Adamson and F. S. Middleton, deplored the government's attempt "to exploit for partisan ends a situation of grave international anxiety," and listed the political crimes committed during the past four years. It promised, in the event of a Labor victory, a government that would "promote socialism at home and peace abroad"—specifically, one that would work with the League to end the war in Africa, maintain necessary defense forces until armies and navies had been reduced by international agreement and national air forces completely abolished, nationalize the land and the coal mines, transport, electrical, cotton, iron and steel, and banking industries, abolish the House of Lords, &c.

From the Liberal party headed by Sir Herbert Samuel and from its political ally, David Lloyd George's Council of Action, came spirited and lengthy manifestoes. The former frowned equally upon Labor's "reckless scheme of wholesale nationalization" and the return of a Conservative government masquerading under the label "National." The Council of Action was more specific; at home it recommended a vast system of public works, closer government regulation of the Bank of England and joint-stock banks, the discarding of "the present fashion for national self-sufficiency" and a consequent revival of free trade with those countries which did likewise. In the international sphere it proposed that the League move against Italy by more drastic and speedy methods than economic sanctions and that a five-year armament truce be declared to allow the world to solve the territorial, economic and population problems that face it.

Yet with all these stirring partisan propositions Britain's 1935 election was, in the words of one close observer, a sham battle from the word "go." The Labor party, almost leaderless, did not want to win a majority and be called upon to face one of the most ticklish of international situations. The Liberal party, to all intents and purposes a visitor from the political graveyard in which it had been interred after the election of 1924, had not yet experienced a reincarnation enabling it to bear the burdens of government. The most that could be hoped, therefore, was that the electorate would return an Opposition sufficiently strong to establish once more a two-party system in the British Parliament and to end the condition under which almost anything the government wanted was rushed into effect by a majority of over 400 votes.

BRITISH ECONOMIC CONDITIONS

While electioneers enthralled their constitutents and Foreign Office officials wore sober faces because of the Italian situation, British business and finance continued to improve. Idle shipping tonnage had fallen 38.6 per cent between Oct. 1, 1934, and Oct. 1, 1935; on Oct. 23 the commodity price index of *The Economist* stood at the highest since compilation began in 1931; Treasury returns for the first half of 1935 were some $60,000,000 greater than those for the corresponding period in 1934; gold holdings in the Bank of England for the week ended Oct. 24 were the largest in history; the aggregate foreign trade for the nine months ended Sept. 30 was almost 23 per cent above that for the first nine months of 1934.

October unemployment figures showed that the number out of work had decreased about 40,000 during the month to a new low for the depression years. A fillip to further employment, moreover, was implicit in the government's announcement early in November that it had decided upon two major schemes to assist recovery. Under one, the Exchequer would guarantee loans for railway reconstruction and improvement costing in the neighborhood of $150,000,000; under the other, the government itself would embark upon a five-year road-building program costing $500,000,000. Cynics regarded these announcements as vote-catching devices and pointed out that not so long ago Mr. Lloyd George had been neatly rebuked by the government for proposing public works of the same sort. Fortunately, the effect of the schemes upon the ranks of the unemployed did not depend upon the motives behind them.

ANGLO-IRISH RELATIONS

"There is no foundation for the suggestions of Anglo-Irish peace moves," stated an official Free State communiqué issued on Oct. 12. This was no doubt in answer to speculation over the meaning of President de Valera's support of British policy at Geneva. The Irish leader himself declared in a speech broadcast on Oct. 4 that he had backed up the League of Nations, not Britain, but his opponents to the Left accused him of having completely surrendered to the ancient enemy, while certain of those to the Right, including ex-President Cosgrave, hinted that a splendid opportunity to make peace with Britain in exchange for Irish support in the crisis had been lost.

In any event, Mr. de Valera insisted that the obligations of the Free State as a member of the League were alone responsible for his stand, and that he had taken it regardless of the fact that Britain took it also. As for "bargains," there was no opportunity for them. Britain had partitioned Ireland, still occupied Irish ports and still imposed penal tariffs on Irish products. Until these evils were ended there would be no bargaining. Mr. de Valera was no doubt encouraged by the fact that Irish foreign trade figures for the twelve months ended September, 1935, showed that for the first time in years the country's unfavorable balance of trade had been reduced. The Free State still had a chance, that is to say, of escaping the economic strangulation that many believe inevitable if she does not soon come to terms with her cross-Channel neighbor.

INDIA IN TRANSITION

As the British Raj continued to prepare India for the privileges that will be hers under the new Constitution, certain perennially annoying obstacles were again encountered. One, which had nothing to do with the impending political changes, loomed up on the restless North-West Frontier, where Upper Mohmand tribesmen had become particularly hostile to British supervision and had expressed their sentiments with rifle bullets. The rebels were brought to terms early in October (for the time being, at least) after a large expeditionary force dispatched from Peshawar and vicinity had descended upon their camps and valleys with light tanks, 4.5-inch howitzers and other instruments of Occidental power.

Obstructing politicians in the relatively civilized parts of India, however, could not be thus summarily dealt with, and so far as they were concerned, the government had no stirring victory to its credit. When the

Legislative Assembly concluded its Simla session on Sept. 26, indeed, official Indians had been pretty roughly handled by Nationalists. Of the much-disputed Criminal Law (Amendment) Bill mention was made in these pages last month; it became law over the protests of the elected majority. The government was also censured on minor points, such as the alleged bombing of women and children during the operations on the North-West Frontier. On the day the Assembly adjourned the official report on the proposed financial settlement between India and Burma (soon to become separate political entities) was denounced as inequitable to both countries, and a motion for its rejection was carried.

Nor in political activities outside the legislative halls was there much evidence that Indian Nationalists were becoming as reasonable as the British would like them to be. Although in speaking at Bombay on Oct. 16 Pandit Kunzru, president of the Liberal Federation of India, had urged that his party accept office under the new Constitution, the more influential Congress party remained adamant in its determination to boycott the Federal India machine.

In official circles the work of preparing for the impending change continued. The Indian Delimitation Committee, one of the bodies entrusted by Britain with the task of making specific recommendations on matters treated only in general by the Government of India Act, began on Sept. 30 a study of various electoral questions, such as how territorial constituencies for the election of members to the Federal and Provincial Legislatures should be delimited, who should be permitted to vote for members of the Council of State and of the Provincial Upper Houses, and what special electoral arrangements should be made to provide adequate representation for industrial groups, universities and certain native castes.

GRIEVANCES IN KENYA

There have been endless tales of the sufferings imposed on Kenya's 3,000,000 natives by the 18,000 Europeans settled there, but early in the Autumn a new kind of story came out of Nairobi as a group of Europeans formed a vigilance committee to protect themselves against the Crown Colony government. Headed by Lord Francis Scott and Lord Errol, the Kenya Convention of Associations, or "Settlers' Parliament," met on Sept. 10 to denounce administration expenditure, the unbalanced budget and high taxes, and to demand a devalued currency, the formal proscription of Asiatic and native farmers in the highland areas now occupied by Europeans, and a more vigorous prosecution of the case for an administrative union of Kenya, Tanganyika and Uganda. Since the government, headed by Governor Sir Joseph Byrne, "did nothing, postponed everything, hoped for the best and gave way only under the greatest pressure," the settlers felt compelled to organize themselves.

The position of the Governor was that as head of a Crown Colony he alone was responsible to the Colonial Office for financial matters, that taxes levied on Europeans were too low rather than too high, that no currency tinkering was possible and that if constitutional changes were made it would be by the Crown or by the Colonial Office. Before the end of September, however, the Governor had so far given in as to appoint a local committee to "explore the burden of agricultural indebtedness," and on Oct. 7 the Colonial Office announced that it had named Sir Alan W. Pym, formerly of the Indian Civil Service,

to inquire into the whole matter of the colony's finances.

The question of closer union between Kenya, Tanganyika and Uganda was settled by Malcolm MacDonald, Colonial Secretary, in a dispatch to the Governors of the three territories made public on Oct. 28. In 1931, Mr. MacDonald pointed out, a Joint Select Parliamentary Committee had considered the case for administrative and fiscal union and had rejected it. In the opinion of the government there were no "adequate grounds" for re-examining the issue.

THE STATUS OF MALTA

Strained relations between Great Britain and Italy bring into the limelight again the British Crown Colony of Malta, situated not far south of Italy in a position of great strategic importance.

Largely Italian and Roman Catholic in sympathies, speaking Italian and a local dialect rather than English, the Maltese were in 1921 granted a Constitution and a responsible Ministry. Anti-British agitation led to a suspension of these privileges in 1930. An investigation by a royal commission resulted in the restoration of self-government in 1932, but in November, 1933, the privileges were again withdrawn, and they remain so at the present time. Under authority of a series of Letters Patent, Italian as a language of instruction and official usage has been severely restricted; an ordinance of March 6, 1935, abolished all student committees and associations, unless purely religious, in the local university; on Sept. 14 the press was placed under strict censorship and the importation of so-called seditious printed matter forbidden; on Oct. 16 the export of coal and scrap metal was permitted only under license. Undesirable Italians have been deported and extraordinary defense preparations have been undertaken.

Premier Laval Has His Troubles

By Francis Brown

The uncertainty that has gripped French political life for many months continued into the late Autumn. The Laval Ministry, heavily engaged both at home and abroad, kept a bold face, although there were recurring rumors that the Premier would resign without waiting for a vote in Parliament. Events did nothing to strengthen his position, but at the moment his opponents were unwilling or unprepared to take the government out of his hands.

Premier Laval has done much to make himself unpopular with the Radical Socialists and the other parties of the Left. The numerous decrees issued since the adjournment of Parliament have aroused intense hostility among large bodies of voters. While these emergency laws were intended to save the franc by a rigorous policy of deflation, the government's opponents insist that they have served only to reduce mass purchasing-power and to make the lot of the average man a little harder. As yet there has been no business re-recovery, but M. Laval declares that it is too soon for it to be apparent.

Though a good deal of political capital has been made of the decrees, the Laval Ministry is under fire for other reasons. The Premier, it is freely asserted, has definite Fascist leanings, which he has indicated both by his open friendliness for Italy and by his complacent attitude toward the Croix de Feu, the French semi-military organization that has caused so many disturbances in the past couple of years. Alarmists have gone so far as to declare that M. Laval is planning a Fascist coup d'état, although evidence is lacking.

Throughout October, however, the Premier managed to overcome various obstacles in his path. First of all, he won a striking vote of confidence when on Oct. 20 he was elected to the French Senate from the two Departments in which he had presented his candidacy. This triumph was personal, for the elections in themselves showed a slight drift to the Left. The Radical Socialists lost eight seats, while the Dissident Socialists gained one, the Orthodox Socialists four and the Communists two.

Hardly were the Senatorial elections out of the way when the Radical Socialist party met in Paris for its annual congress. Since the party has admitted its dislike for Laval's government of concentration there was some reason to fear that it might order the Radical Socialist Ministers to resign from the Cabinet. Such a decision would have brought down the government. Thanks in part to the influence of Edouard Herriot, who was re-elected president of the party, this danger was averted.

The crisis has presumably been only postponed, for the congress declared that before the budget is debated in Parliament, laws for the dissolution of the Croix de Feu and other Fascist leagues must be enacted. If this demand is not met, the Ministry may be upset. The Radical Socialists have announced that if the Fascist leagues are not dissolved they will begin to form their own military organizations.

The Cabinet in the meantime has been having trouble with the budget. As prepared by the government, the 40,000,000,000-franc budget for 1936 was to be in balance. Expenditures for armaments, estimated at 6,000,000,000 francs, were to be covered by a loan and carried in a separate account. When the proposals were laid before the Finance Committee of the Chamber it was quickly apparent that sharp differences of opinion would develop, and develop they did as debate continued throughout October. Despite the government's insistence that its deflationary policy would be nullified if the Finance Committee began to approve exemptions from the 10 per cent cuts in salaries and pensions, the committee went ahead and voted to exempt certain categories. Thus a balanced budget began to seem very unlikely, and prolonged debate in Parliament was to be expected.

There was reason to wonder whether in any event the budget could be actually balanced, since the tendency for revenue to fall has for several years played havoc with the government's calculations. Unless business recovery sets in, revenues will probably once more fall below estimates. Direct taxes for the first nine months of the year came to 2,748,000,000 francs, 890,000,000 francs less than in the same period of 1934. Indirect taxes and the income from State monopolies totaled 19,658,000,000 francs, 913,000,000 francs less than in 1934 and 3,492,000,000 francs below estimates.

Premier Laval, speaking before the Finance Committee of the Chamber, admitted that he was depending upon world-wide business improvement to

rescue France from her economic difficulties. If that be true, the harsh deflationary policy pursued by his government would seem to be only a diversion. Likewise, not too much importance could be given to the avalanche of decrees let loose on Oct. 31. While many of these were without economic significance, some among the more than 400 laws did touch the people's pockets. For instance, borrowers are now to be allowed to pay back debts before they are due, thus permitting them to repay sums borrowed at high interest with money borrowed at lower rates.

In the decrees some observers thought they detected a Fascist note. The dissemination of false news reports is forbidden. Does this infringe upon the freedom of the press? The French public are forbidden to address insults to the heads of foreign States. Does this likewise open the way for the suppression of opinions unpopular with the powers in Paris?

A week before the publication of these decrees three others were issued in an apparent attempt to meet the Radical-Socialist demand that the Fascist leagues be suppressed. The first requires that the police be given three days' notice of any public demonstration. Permission may be refused if public order seems to be threatened. The second regulates the importation and carrying of arms. The third permits the government to disband any organization that endangers the stability of the nation.

The Radical Socialists, whose congress met on Oct. 24, the day after the three decrees had been issued, denounced them as wholly inadequate and insisted that only the complete dissolution of the leagues would suffice. To enforce their demand they could point to the riots for which the Croix de Feu has been responsible.

Early in October the Fascist Croix de Feu clashed on several occasions with Communists, usually because the Croix de Feu provoked trouble by holding rallies in localities known to be Communist in sympathy. The *Echo de Paris*, a paper in close touch with the Croix de Feu, announced on Oct. 9 that Colonel de la Rocque, leader of the organization, was traveling all over France preparing the provincial branches "for the period now opening." Exactly what this might mean no one knew, but *Le Populaire*, the Socialist party organ, published documents that seemed to show that Colonel de la Rocque and the general staff of the Croix de Feu had worked out a plan to overthrow the Republic.

Colonel de la Rocque denied the authenticity of these documents and asserted that his organization was seeking to defend the Republic against Socialist and Communist attacks. He did not, however, answer specifically a statement issued on Oct. 10 by the Deputies of the Left which read: "All accounts agree in confirming the existence throughout the country of a veritable plan of mobilization of an armed and organized para-military character." Possibly both sides are seeing a bogy man, but whatever the truth, it now looks as if one of the cries in next year's election will be, "Down With the Fascist Leagues!"

THE AFTERMATH OF STAVISKY

The malodorous Stavisky case has reached the court room, twenty-two months after the disappearance of the director of the Bayonne municipal pawnshop. On Jan. 9, 1934, Alexandre Stavisky was found shot in a villa near Chamonix. Suicide, said the authorities, but rumor spread that Stavisky had been killed to seal his lips. During succeeding weeks the scandal broke one Ministry after an-

other and became the pretext for the riots of Feb. 6, 1934, which for a time seemed to endanger the régime.

Exactly who was involved in the scandal that arose from Stavisky's issuance of fraudulent bonds has been a matter of prolonged judicial investigation, as have the extent and nature of his swindling. Forty-eight separate reports were brought into court on Nov. 4 when twenty defendants in the affair came up for trial. So complicated and extensive is the evidence that it was believed that the trial would last for a month, perhaps longer.

BELGIAN BUSINESS UPTURN

Belgium, faced with a 200,000,000-franc deficit this year, expects that the 1936 budget will be in balance. Recent announcements from official quarters fixed the 1936 budget total at 10,327,000,000 francs, and declared that without increased taxation this sum would be met by current revenues. Economies in government operation and conversion of the public debt are partly responsible for this improvement in government finances.

The Belgian Government anticipates that general business recovery will lighten considerably the cost of unemployment relief, and with this in view has lowered the appropriations for relief from 900,000,000 francs in the present year to 650,000,000 francs in 1936. It is hoped that many of the unemployed will be removed from the dole by the public works program that the Van Zeeland Ministry has planned.

There were many indications in October of improving business. The registered unemployed declined from 300,000 to 160,000. Coal consumption was rising as a token of renewed industrial activity. On the Brussels Bourse stock prices moved upward. Finally, cordial conversations between Premier Van Zeeland and the French Minister of Commerce led to the belief that Belgium would be allowed to export to France goods in greater amount than the present French quota system permits.

Germany on Short Rations

By SIDNEY B. FAY

A SHORTAGE of food made itself felt in Berlin and many other German cities during the late Autumn. Meatless and butterless days were decreed, hoarders were arrested, unofficial ration cards were issued and purchasers were forced to stand in queues for their allotments.

According to the official explanation, the fodder crop in 1934 had been so poor that many animals had been slaughtered, causing a shortage in dairy products and pork. Increased purchasing power, moreover, had raised the demand for foodstuffs, while the government's import restrictions had reduced the normal supply. An unusual amount of hoarding, it was added, had aggravated conditions.

The shortage was none the less a cause of irritation and unrest among the population, and, together with increasing food prices, led to absence from work, minor strikes and small anti-Nazi demonstrations. Unemployment, moreover, increased by 114,000 in the month of October, as compared

to a decline of 14,000 in October, 1934. Approximately 1,000,000 men were expected to be added to the unemployed rolls as soon as weather conditions made outdoor work impossible.

Germany's campaign to provide for the needy during the Winter by "voluntary" donations began on Oct. 13 with the first of the monthly "one-dish" meals. Hitler and other officials made speeches urging the nation to contribute to the Winter Help Work Fund, and as an example the German Labor Front and German Railways employes gave 1,000,000 marks each. The I. G. Farbenindustrie, three leading banks and a number of other concerns donated 100,000 marks each. To avoid duplication of effort, organizations like the Red Cross, the Inner Mission and Caritas were instructed to solicit, not on their own behalf, but in conjunction with the Winter Help Work.

By a Cabinet decree of Oct. 18 the State banks in Bavaria and other German States were placed under the direct control of Hjalmar Schacht, Minister of Economics. This gives Dr. Schacht the necessary powers to finance the campaign against unemployment and for rearmament. It frees State banks from local State laws and is a step forward in the policy of unifying the national banking and credit system.

German foreign trade returns for September showed a further rise in exports. Imports remained unchanged, giving a favorable balance of 55,000,000 marks (approximately $20,000,000). The national industrial output for the first half of 1935 was about 15 per cent greater than that for the corresponding period of 1934. Tax revenues for the half-year were up by nearly the same percentage.

The German-American commercial treaty of 1924, the most-favored-nation clause omitted, was continued in force by an exchange of ratifications on Oct. 7.

STUDENT CLUBS DISSOLVED

On Oct. 18, exactly 118 years after liberal-minded German students gathered together in the famous Wartburg festival to celebrate their spiritual liberty and national unity, the last of the student fraternities which grew out of this festival were finally dissolved. The ribbons and caps of the *Corps* and *Burschenschaften* which had for more than a century given color and life to German university towns were worn for the last time and then buried with the dead past. It was the final act in a conflict between the student societies and the National Socialist régime that had been smoldering for over two years.

The conflict was inevitable. The *Corps* and *Burschenschaften* represented a favored social class; from their membership had come high government officials and leaders in industry, trade and the professions. To the Nazis, with their principle of the common good before the individual good, the fraternities were feudal, aristocratic, reactionary. They had refused to be coordinated with the National Socialist Student Association; they had been generally critical of the government. In May the aristocratic Saxo-Borussia Corps at Heidelberg had held a noisy champagne feast during the broadcasting of Chancellor Hitler's Reichstag speech and had frivolously discussed the question of whether the Fuehrer ate asparagus with a fork or with his fingers.

As a result of this, Baldur von Schirach, Reich Youth leader, ordered all corps members under his control to resign from their corps. Herr Derichsweiler, head of the National Socialist Student Association, was more lenient, and gave the corps until

July 10 to accept an offer of political and ideological training in Nazi camps. This date was later extended to July 25. Eventually, however, the inevitable had to be faced. Early in October the Koesener Senior Convent, a corporative association of more than a hundred local corps and fraternities, voted to dissolve itself. Shortly afterward most of the exclusive corps, such as the Borussia of Bonn, the Saxo-Borussia of Heidelberg and the Saxonia of Kiel and Goettingen, disbanded.

These dissolutions were victories as well as defeats in that the organizations refused to allow themselves to be coordinated and to accept the "Aryan paragraph," under which Jews could not have become members and Jews already members would have had to be expelled.

The *Burschenschaften*, which participated in the final act of the drama, that of Oct. 18, made a complete surrender. They gave up their old names, their caps and their ribbons and agreed to transform their fraternity quarters into "Comrade Houses" where Nazi ideals would prevail; they became part of the National Socialist Student Association headed by Herr Derichsweiler. As he pointed out, the revolutionary spirit which gave rise to the original organizations after Prussia's defeat at Jena in 1806 had blended with the Nazi revolutionary spirit which had saved Germany after her defeat in the World War.

GERMAN CHURCH CONFLICT

An apparent settlement of the conflict between the German Totalitarian State and German churchmen proved during the last weeks of October and the beginning of November to have been an illusion. After a temporary truce both Catholic and Protestant clerics found themselves again at odds with the Hitler government.

Late in September Dr. Hans Kerrl, Minister for Church Affairs, intimated to the Prussian Confessional Synod in session at Berlin-Steglitz that he was ready to drop Reichsbishop Mueller of the official Nazi Evangelical church if the Opposition pastors would accept a provisional State administration headed by a moderate churchman. The pastors refused the compromise and insisted on passing, against Dr. Kerrl's wishes, three resolutions embodying their grievances.

The first of these resolutions complained that pastors had been arrested or forbidden to preach and that church periodicals had been suspended. The second embodied a defense of the baptism of Jews, to which Nazi leaders had objected. The third definitely denounced Dr. Kerrl's recent order that pastors must submit to financial boards set up by the State in March. These boards were established to supervise the expenditure of the State contribution to the upkeep and administration of the Evangelical church in Prussia, and while many pastors appreciated the right of the State to oversee the use of public moneys, they felt that control of the purse-strings might be used to favor the official Nazi church at the expense of the Confessional church.

Regardless of these resolutions, Dr. Kerrl announced on Oct. 3 that he would establish a Reich Church Committee to regulate and represent the Evangelical church and to bring about harmony between the forces of Reichsbishop Mueller and the Confessional Synod. As named on Oct. 14 the committee consisted of eight churchmen who, while generally in sympathy with the Hitler government, had not identified themselves with either side in the conflict. In their manifesto accepting their task the appointees re-

affirmed the doctrinal position of the church as laid down in the Evangelical Church Constitution of 1933 and added: "The unshakable foundation of the German Evangelical church is the Gospel. * * * All church work, its theology and administration, must serve the preaching of this gospel. We therefore exhort the Evangelical churches to stand loyal and obedient to Folk, Reich and Fuehrer. We say 'yes' to the National Socialist creation of a Folk on the basis of race, blood and soil."

This manifesto was acceptable to the Opposition in that it repudiated the anti-Christian tendencies of certain Nazi leaders. Yet it dealt with none of the grievances brought forward in the Berlin-Steglitz resolutions, reaffirmed Nazi racial doctrines and, in the words of Bishop Marahrens, Opposition leader, was the work of a body "possessing no authority from the church."

For a few weeks the Confessional pastors, without signifying their formal submission to the new committee, seemed to accept it as a compromise. Dr. Kerrl, in the meantime, made a series of conciliatory gestures. On Oct. 20 he ordered a halt on all secret police activities against the Opposition, permitted the reinstatement of pastors who had been expelled from their pulpits and informed Reichsbishop Mueller that his resignation would be in order. Several members of the government, including Chancellor Hitler, made statements calculated to show that Germany would proceed upon the path of "positive Christianity, not that of anti-Christian doctrine and neo-paganism."

But by Oct. 29 it was clear that the peace was illusory. All church news bulletins, journals and circular letters were ordered to pass through the Propaganda Ministry before distribution. Reichsbishop Mueller refused to resign, and the government appeared unwilling to force him to do so. Secret political police on Nov. 1 refused to allow Opposition pastors to inaugurate their new theological seminary in Berlin and a few days later suppressed another independent seminary at Barmen.

Dr. Kerrl had sought a settlement with German Catholics as well. He reopened conversations regarding the suppressed Catholic Youth organizations and on Oct. 29 agreed that Catholic churches might fly the papal flag and the Nazi swastika separately, the former on religious holidays, the latter on Nazi holidays. But on Nov. 2 a Berlin priest was fined for failing to fly the swastika during a Nazi district leader's funeral, and a Stuttgart priest was sentenced to four months' imprisonment for political libel. These and other moves indicated that relations between Germany and the Vatican were being strained to the breaking point.

SWISS NATIONAL ELECTIONS

Elections to the Swiss National Council and Council of States were held on Oct. 27. Despite the severe economic crisis that holds Switzerland in its grip, there were few overturns. The Nationalist (Nazi) party and the Italian Fascists lost ground while the Socialists made some gains. Sentiment, as far as it could be gauged, seemed to approve retention of the gold standard and adherence to the government's stated policy of meeting present conditions by adopting moderate measures.

A Spanish Political Scandal

By WILLIAM E. LINGELBACH

THE Spanish Cabinet which took office on Sept. 25 had a brief history. Although the Cortes when it reassembled on Oct. 1 gave its approval to the Ministry formed by Premier Joaquin Chapaprieta, it was almost immediately upset by a bribery scandal involving two of its members. The Premier, however, quickly re-formed his government.

Charges of bribery were brought against members of the government and the administration by Daniel Strauss, a Mexican citizen, who claimed that he had distributed 2,000,000 pesetas (the peseta is currently quoted at about 13 cents) in the proper circles in order to obtain a gambling concession at the fashionable resort of San Sebastian. He secured the concession but was allowed to operate it for only a day.

These charges caused a major sensation. Ex-Premier Lerroux, whose name was brought into the scandal, offered his resignation as Foreign Minister while denying all knowledge of the affair. Characterizing the charges as "so much political blackmail," he demanded that a judicial investigation be held to vindicate his honor.

Opposition members of the Cortes, who were about to interpellate the government on the bribery charges, were blocked when the Premier appointed a Parliamentary commission of inquiry. On Oct. 26 the commission reported that evidence had been found involving at least eight persons close to the government, among them the nephew and adopted son of Foreign Minister Lerroux. The commission concluded that there was reason for court action.

Following this report the Cortes ordered that legal measures be taken against all the accused officials except the Mayor of Madrid, who resigned his office. To facilitate the investigation Alejandro Lerroux on Oct. 29 withdrew from the Cabinet along with his close associate, José Rocha, Minister of Education. In the reconstituted Cabinet José Martines de Valesco became Foreign Minister.

At the opening of the Cortes the Premier, who is also Minister of Finance, presented his budget, which he declared could be readily balanced because of the 800,000,000 pesetas saved by the economy program inaugurated under the previous administration. Among the economies was the elimination of four Ministers and hundreds of minor officials. Despite the Premier's optimism the estimates for 1936 presented to the Cortes later in the month showed a deficit of 148,000,000 pesetas. While the government declared that it would adopt the program of the Lerroux Ministry, it announced that particular attention would be given to finance and budgetary reform.

In line with this policy, the government ended the state of martial law in Barcelona and Catalonia, turning over the administration of law and order to the civilian authorities and the Civil Guard. The severe press censorship was lifted and the political headquarters of the parties of the Left were allowed to reopen.

Greece Returns to Monarchy

By Frederic A. Ogg

Greece is once more to have a king. A military coup d'état on Oct. 10 made a restoration certain, while a national plebiscite on Nov. 3 gave the return of George II the appearance of popular approval.

The first step was the announcement by the Tsaldaris government on Sept. 18 that on the first Sunday in November the Greek people would be asked whether the eleven-year-old republic should be upheld or the monarchy restored. The Royalists, however, were not willing to wait so long for the people's verdict. Parliament was scheduled to assemble on Oct. 10, and when it met that day a military coup d'état under the leadership of Field Marshal George Kondylis, a former ardent Republican, was carried out, the republic abolished and monarchy proclaimed. Under pressure, and disavowing all responsibility for what was being done, Premier Tsaldaris resigned. Martial law was proclaimed; all telegraphic and telephonic communication with foreign countries was cut; public buildings were placed under guard and the streets filled with parading soldiery. But not a shot was fired.

There was some appearance of regularity, however, for amid scenes of wild rejoicing in the Parliament Building the lawmakers hastily enacted bills which rescinded the Republican Constitution, restored the monarchy and revived the Monarchist Constitution of July, 1911. Marshal Kondylis was made Premier and also Regent pending King George's return from England, while it was decreed that the plebiscite of Nov. 3 should be held so that the people might confirm the change in government. Although President Zaimis did not go through the formality of resigning, that made no difference, for his office was simply wiped out. The new Premier-Regent called on him at his seaside villa, informed him of what had happened and thanked him for his past services.

Why the Royalist leaders decided to take a short cut is not clear. Republicans were confident of winning in any fair test of sentiment; Crete, Epirus, Macedonia, Thrace and several of the Aegean islands were known to be Republican, and it was at least doubtful whether Royalist preponderance in the Peloponnesus and other areas could tip the scale. Perhaps, therefore, the Monarchists were afraid of the outcome and preferred to present the voters with an accomplished fact. At all events, with the aid of the military the short cut was taken, and one more *kinéma,* as the Greeks call such a military excursion into politics, was added to the long list. The public merely blinked.

As the date for the plebiscite approached, Republicans, though rigidly repressed, pinned their hopes to a popular repudiation of the work of the military, to dissensions known to exist among the Monarchist elements, and to a possible refusal by King George to accept a throne at the hands of "revolutionists." Monarchist authorities continued to insist that the country was quiet and that troop movements were aimed only at insuring

complete order during the voting. But denials could not conceal the existence of Republican revolt in Crete and elsewhere, and in the closing days of October former Premier Alexander Papanastasiou, the most formidable Republican leader, after being given his freedom, was again arrested and sent to the island of Mykinos.

In the end the Republican leaders decided that the cards were too thoroughly stacked against them and accordingly fell back upon a boycott. Surreptitious orders to abstain from voting were widely circulated, and though on the day of voting public order was everywhere maintained and electors were permitted to visit the polls without molestation, the abstentions of both Republicans and Communists was almost complete. As a result, Minister of the Interior Schinas was able to announce on the evening of election day that the vote in the country as a whole was 98 per cent monarchist and in Athens 99 per cent.

The return to monarchy was not without international significance, for the restored king has had the strong personal support of the British royal family and it was generally believed that his restoration had been aided by a British banker. Exactly how much of a hand the British Government had in placing George II on his throne would be hard to discover, but it probably was considerable since Britain in the present state of European affairs is anxious to have a pro-British régime at Athens.

THE NEW POLISH MINISTRY

The Polish Cabinet resigned on Oct. 12, and for the first time in nine years a new government was formed without Pilsudski's guiding hand. The Slawek government had assumed office a few weeks before his death and from the first considered that its work would be done when the new Constitution had been set in motion, a national election held, and Parliament convoked. Its resignation, therefore, caused no surprise.

As had also been anticipated, the new Premier selected by President Moscicki was Marjan Z. Koscialkowski, Minister of the Interior in the previous Cabinet. Representing the left-wing Pilsudski bloc, he significantly did not belong to the "Colonels' Group." Forty-three years of age, he had achieved distinction as a commander in the war with the Bolsheviki, as an active member of the Sejm since 1923, Governor of the Province of Bialystok, President of the city of Warsaw, and finally Minister of the Interior. As a Cabinet officer, his principal achievement had been to work out a pacific agreement with the Ukrainians, who, unlike the Polish Opposition, did not boycott the recent elections and are represented in the new Sejm. Koscialkowski has all along, in fact, shown a liberal attitude toward racial minorities. Colonel Joseph Beck, long in charge of the Foreign Office, retained his post in the new Cabinet, but for the most part, the old guard was swept aside to make room for new blood. The new Ministry issued a strong appeal for national cooperation, and the Premier, on the day following his appointment, not only called the first press conference in eight years but invited to it representatives of Opposition papers.

Former Premier Slawek, in a farewell speech to the Provincial secretaries of the organization on Oct. 30, announced the dissolution of the Pilsudski party, or "non-party bloc in cooperation with the government," as it was officially called, on the ground that not only had the group fulfilled its purpose, but parties were no long-

er needed or recognized under the new electoral law.

Against a background of friendly relations with Germany and Hungary there stand out a marked increase of Polish friction with Czechoslovakia, the Soviet Union and Rumania and diminishing hopes of an understanding with Lithuania. The likelihood of Poland's joining a revisionist bloc with Germany, Austria, Hungary and Italy is regarded as neither greater nor less than it was while Pilsudski was alive and directing Poland's foreign policy.

CZECHOSLOVAK POLITICS

Czechoslovakia has not escaped the impact of the German National Socialist movement upon its German-speaking citizens. Last Spring the newly formed Sudete German party led by Konrad Henlein secured two-thirds of all the German votes cast in the general election. Henlein, to be sure, disavowed Fascist aims, and in particular disclaimed any designs on the political integrity of the Czechoslovak Republic, but the party's basic principles and outlook are regarded as a product of the Nazi spirit. Apprehension in government circles has not been allayed by the recent restlessness of Henlein's followers.

Toward the end of September, for example, more than 50,000 German-speaking inhabitants of Northern Bohemia assembled at Haida, a centre of the Czechoslovak glass industry, to demonstrate their solidarity and to urge the government to adopt more energetic measures regarding unemployment. At the meeting the party reiterated its loyalty to the republic and its willingness to cooperate with the existing government. But the leader declared that if the government could not or would not alleviate the prevailing distress, the Sudetic Germans must be allowed to take whatever measures were necessary to help themselves. The Czech press continues to assert that the formation of the Sudetic party is wholly alien to the spirit of Czechoslovak institutions and that it flourishes simply upon the misery of the Germans in North Bohemia.

Premier Jan Malypetr resigned on Nov. 5 in order to stand for election as Speaker of the Chamber of Deputies, and Dr. Milan Hodza, Minister of Agriculture and leader of the Agrarian party, became Premier. As there were no significant changes in the Ministry, the Malypetr domestic and foreign policies were expected to be continued. Parliament met in mid-October to consider various measures arising out of the nation's economic difficulties. Among them were proposals to reduce interest rates, to allocate public funds for schemes of productive investment and to supervise prices, especially of foodstuffs, in order that the masses might obtain adequate supplies at prices in harmony with the prevailing salaries and wages.

THE TESCHEN DISPUTE

Czechoslovak relations with Poland have been strained for some time, principally because of the renewal of Polish claims to that portion of Teschen, a small coal-mining district, which in the peace settlement of 1919 was awarded to Czechoslovakia. Some months ago a Czech journalist was expelled from Poland, and on Oct. 19, when the Czechoslovak Government withdrew the exequatur of the Polish Consul at Moravska-Ostrava, the Polish authorities retaliated by treating similarly two Czechoslovak Consuls in Polish territory. On Oct. 28 10,000 Czechoslovak soldiers and civilians staged a demonstration on the Teschen

border for the benefit of crowds of Poles gathered on a near-by hilltop.

FASCISTS IN YUGOSLAVIA

A Fascist movement which has been growing in Yugoslavia for some time came into the open shortly after the middle of October and plunged the country into one of its periodic political crises. The occasion was the election by Parliament on Oct. 20 of a new Speaker. The government candidate, Mirko Kommenovitch, was opposed by former Speaker Steva Ciric, candidate of the powerful Yeftitch Opposition which is now disclosed to be definitely Fascist. Stormy scenes were enacted in the Chamber, and when Ciric won by a vote of 171 to 138, shouts of "Resign," "Resign"—directed at Premier Stoyadinovitch—rang through the hall and corridors. The Premier, flatly refusing to yield, declared that his government was indifferent to Parliament and would get along very well without it.

Under the present Constitution, the government is not dependent upon Parliamentary support. Certainly, it has no majority support today. Nevertheless, it was generally believed that the defeat of Oct. 20 was a body blow and that before long Premier Stoyadinovitch and his colleagues would find themselves at the end of their tether. The Premier justified his defiance by explaining that he and the nation want the old Alexandrian dictatorship replaced by a democratic régime, whereas Parliament, now unmistakably controlled by former Premier Yeftitch, is headed for fascism. The Premier's stand won the unexpected support of the normally hostile Croats and Serbian Democrats.

UNSETTLED BULGARIA

The story of the conspiracy that prompted the Bulgarian Government to proclaim martial law on Oct. 2 and to order the arrest of numerous army officers and other persons is now believed to have been exaggerated. It was originally charged that the supposed leader, Colonel Damian Veltchev, aimed at nothing less than the assassination of King Boris and the proclamation of a republic. Later evidence tended to show that nothing was contemplated beyond a paring down of the royal prerogatives and a restoration of government monopolies abolished by the present régime. At the end of October Colonel Veltchev and about two dozen other officers, along with a few civilians, were still being held for trial—in some cases on charges punishable by death under the military penal code. Former Premier Gueorguiev and several of his political friends, who were among those arrested, were released on Oct. 16.

The position of Premier Andre Toschev's government has been reported precarious because of internal dissensions. Colonel Veltchev continues highly popular with the army. With the press muzzled, and even private political discussion forbidden, rumors fly thick and fast. The old parties believe their time is coming, but the army vows that it shall not.

A NEW ALBANIAN MINISTRY

Fresh evidence of Italian political pressure upon Albania was supplied in October, not only by the refusal of the little kingdom to enforce sanctions against Italy but by the resignation of the Cabinet at Tirana when some of its members refused to follow a pro-Italian policy. A new Cabinet was formed on Oct. 21, with Mehdi Frasheri, former Minister of Economics and one-time Albanian delegate to the League of Nations, as Premier.

Socialist Gains in Denmark

By RALPH THOMPSON

DENMARK on Oct 22 elected a new Folketing, or lower parliamentary chamber, to take the place of that dissolved by royal decree three weeks earlier. The result was that Premier Stauning's Socialist-Radical coalition government increased its majority, the Social-Democrats gaining six seats and the Radicals retaining the fourteen they already had. The two major Opposition parties, the Conservative and the Liberal, lost, respectively, one seat and ten seats, six of these going to the victorious Social-Democrats, the other five to a dissident Liberal faction, the newly formed extremist farmers' organization known as the Landbrugernes Sammens-Butning.

The principal reason for the election was Premier Stauning's desire to secure from the country confirmation of his policy of State control of foreign trade. Opposition elements had attacked this policy on the general ground that the value of the krone was too high—some because they wished a more advantageous position in buying foreign manufactures, others because they hoped to lower wages at home, still others (here the extremist farmers took the lead) because a devalued krone would mean higher prices for agricultural exports and reduced interest on the agricultural debt burden.

At the polls, however, the electorate supported the Stauning principles, and the Opposition parties were seriously weakened. On Nov. 4 the Premier reconstructed his Cabinet, naming new Ministers for the portfolios of trade, defense, religion, education and public works. The party representation in the government—nine Social-Democrats and three Radicals —remained unaltered.

MEMEL ELECTIONS

Not only was the balloting for the Memel Diet (see November CURRENT HISTORY, page 216) a long-drawn-out and complicated affair, but the very task of counting the ballots took an extraordinary time, and not until Oct. 14 were the official results announced. When all the excitement had subsided, it was found that 55,716 persons had voted for the German candidates, 12,925 for the Lithuanian. The party representation in the Diet, therefore, was the same as that in the previous one—twenty-four German Deputies, five Lithuanian.

At this writing no reports of the convocation of the new Diet had been received, although earlier dispatches indicated that it was to take place on Nov. 6. German sympathizers were aroused by the announcement late in October that the Lithuanian Government had set up a court to interpret the provisions of the Memel Statute in case of dispute between Lithuanian and Memelland authorities. This the Germans called yet another attempt to render illusory the autonomy of the territory. A dispatch from Kaunas on Oct. 15 announced that M. Kurkauskas, Governor of the Memel Territory, had resigned, but this fact was immediately contradicted by the Lithuanian authorities.

The Triumph of Soviet Planning

By EDGAR S. FURNISS

RECENT shifts in Soviet policy bear witness to improved economic conditions throughout the union and a brighter outlook for the future. The government has been particularly encouraged by the progress made in the nation's industries. The summaries prepared for the Planning Commission in mid-Summer were so favorable that the schedules of industrial output were advanced to very ambitious levels for the last quarter of 1935, during which production is expected to be 22 per cent above that for the last quarter of 1934, with heavy industry alone showing an increase of nearly 30 per cent. These, of course, are only forecasts, but the record for the first nine months of 1935 makes it seem certain that the schedules will have produced in three months almost as much as in the entire year 1928, when the planned economy program was launched—that is, an increase of nearly 400 per cent in seven years.

This achievement has had an enormous effect on the outlook of the people and the temper of the government. The Soviet rulers are now confident that they have won the battle for economic planning, despite the innumerable technical problems of centralized planning and despite the human material with which these problems have had to be tackled. In recent years, moreover, military needs have weighted the program disproportionately on the side of heavy industry, thus increasing the privations of the people and the discipline required by governmental control. This year's experience seems to demonstrate that both technical and disciplinary obstacles have been surmounted. Heavy industry is now able to guarantee sufficient supplies for military needs, and the government is accordingly prepared to relax pressure on the people in favor of more liberal policies. The population has responded buoyantly to the altered situation.

Even more striking is the success of the agrarian program. By early October the greatest cereal crop in Russia's history—estimated at between 100,000,000 and 110,000,000 metric tons—had been harvested. Deliveries to the State grain elevators were completed a month earlier than in 1934 and in much larger quantities. Now that the collection quotas are fulfilled the government intends to purchase large additional quantities of grain at prices higher than those set for the official quotas. In agriculture, no less than in industry, the authorities feel that the principle of collectivist effort under centralized control has triumphed. They are particularly pleased that the State farms have increased their output by about 15 per cent over last year. Almost equally gratifying is the efficient use by the collectives of the machine methods of cultivation that have been urged upon them in recent years.

These results indicate that the struggle to establish a large-scale collectivist agriculture has been won. Apparently the popular attitude has changed, for peasant resistance to the program has almost completely disappeared, even in the regions which only recently seemed on the verge of

civil war. Thus, the North Caucasus, which was the scene of widespread and bitter opposition three years ago, ranks in the 1935 harvest among the leading grain districts of the country both for total crop production and for promptness of delivery to the State's agencies.

The record harvest is of immense practical value quite apart from its being a test of collectivism. According to figures of Russian grain production compiled by students in other countries, the harvest in 1928, at the beginning of the Five-Year Plan, was about 73,000,000 tons, but in 1932, at the end of the five-year period and after two years of aggressive collectivization it had fallen to 70,000,000 tons. This decline was all the more serious because the population of Russia was increasing so rapidly that there were 11,000,000 more people to be fed in 1932 than in 1928. Compared with pre-war days the outcome of the first great attempt at collectivization was a drastic reduction in the standard of life.

By 1933 it was clear that unless there could be a great and rapid improvement the whole program for a planned economy must collapse through inability to prevent starvation. At the same time a sudden increase of military needs brought an unforeseen and dangerous factor into an already difficult situation. With so much at stake the Soviet leaders have viewed the past two years as decisive in their program, and this year's success comes as a relief to prolonged tension and anxiety. Allowing for the increase of population since 1913, the 1935 harvest will provide a per capita supply of food above the pre-war level and at the same time give the government a surplus for military and other emergency needs.

Government decrees reflect this rapid change for the better. One group is intended to reward the peasant population and to stimulate increased effort by increasing individual freedom and more fully satisfying their economic needs. These changes of rural policy were enacted at intervals during the Summer as the success of the harvest appeared more and more assured. First, the collective farms were granted ownership in the land they occupied; then the individual farmers were given permission to own larger quantities of personal property; then amnesty was granted former kulaks and their children, re-establishing their right to equal privileges as members of the collectives; and, most recently, the government has undertaken a drastic reform of the village stores which supply the peasant households.

The failure of these stores, more than anything else, has been responsible for the abject poverty of rural Russia. Each village has had a store belonging to a nation-wide cooperative system, but practically none of them ever carried goods of the slightest use to the peasants. The new decree reorganizes the entire system, adds 5,000 large stores to those already in existence, and contributes 80,000,000 rubles from government funds to get the new program under way. The large increase in factory output makes it possible to start supplies of much-needed household goods flowing at once toward the villages, and already the provision of ordinary necessaries is greatly improved.

The government, however, intends much more than the mere relief of basic human needs. Higher official prices for grain and freedom to sell in the open market have given the peasants purchasing power that will extend to comforts and even minor luxuries. Orders for delivery in the

rural districts during the final quarter of 1935 show the trend of peasant demand for goods of higher quality and greater variety. For instance, orders for cotton textiles have increased 46 per cent as compared with last year; for ready-made clothing 23 per cent; for footwear 18 per cent; for window glass 500 per cent. Many articles formerly unknown in peasant households, such as toilet preparations, gramaphones, radios, bicycles, toys, reading materials, are now on sale in the village stores. The Soviet Government promises to assist this advance in the cultural level of rural life by having adequate supplies of these and similar goods available in the villages before the end of another year.

The urban population has shared in the new privileges through the abolition of the food-rationing system. For the first time in six years the city people on Oct. 1 were allowed to buy food of their own choice in unlimited quantities. The government heralded this new era of plenty by reducing food prices from 20 to 40 per cent, enlarging the existing food stores and increasing their number. On the first day of free buying, supplies of all forms of foods and even delicacies were unusually plentiful. The new system eliminates the "closed shops" and the whole structure of cooperative stores in the Russian cities, leaving the purchase of food open to all classes on equal terms at uniform prices fixed by the government. Incidentally, these changes have wiped out a privilege of the higher Soviet officials who enjoyed special advantages under the ration system. For some months, too, the stores carrying goods other than foodstuffs have been supplying increasing quantities of such wares in greater variety and of higher quality than ever before.

To the mass of the Russian people higher living standards are expressed most obviously in the increased purchasing power of the paper rubles in which they receive their money income. So long as irredeemable paper money was being poured out to finance the deficits of Soviet enterprise, it was hardly possible to increase the real value of money incomes. During the year, however, the government has been able to make rapid progress toward stabilizing its monetary system. Large branches of industry have been placed on a self-financing basis, thus doing away with the necessity of issuing more paper money. At the same time the gold cover of the currency in circulation has been substantially increased, owing to a remarkable expansion in Soviet gold production, which has now reached an annual total of $400,000,000, a 400 per cent increase in the space of two years.

Since the Soviet Union has paid off most of its foreign trade indebtedness and no longer has a current adverse balance in international trade, these new supplies of gold need not be lost in foreign commerce but can be added to the reserves of the State Bank. In mid-Summer the Soviet gold reserve totaled nearly $900,000,000; and it is expected to increase to over $1,000,000,000 by the end of 1935. This reserve is larger than that of most other countries and puts Russia in a position approaching that of Great Britain and France. Russia is now, in fact, within striking distance of currency stabilization, an act which would raise the domestic purchasing power of Soviet money at a time when the productive forces of the country are working independently toward the same end. Some such monetary policy was forecast by Finance Commissar G. F. Grinko in an official statement pub-

lished in *Pravda* on Oct. 6, in which it was asserted that the "material foundations" for stabilization had already been established.

The definite gains in material welfare have been matched by an equally obvious rise of popular optimism. This would come inevitably from improved living standards, but the altered temper of the government has had much to do with it. Not only through the decrees mentioned above, but also through a general slackening of the rigor of espionage have the dictators given the population reason to feel that the period of extreme tension has ended. The number of arrests and executions has fallen markedly of late, and it is significant that these acts of dictatorship represent political terrorism much less frequently than before. Recent cases have dealt almost wholly with specific charges of corrupt practice in office rather than with the formerly vague accusation of "counter-revolution" or political disloyalty. Moreover, they are individual cases, not mass affairs involving wholesale attacks on regional or class groups.

Egypt and British Policy

By ROBERT L. BAKER

THE pride of patriotic Egyptians of all parties has been seriously hurt during the Italo-Ethiopian crisis because of Great Britain's disregard for Egypt's nominal sovereignty. British troops have marched in the streets; Alexandria has been made British naval headquarters in the Eastern Mediterranean; immense reinforcements have been sent to the great military airport at Aboukir, and a number of fresh British troops have been landed.

Egyptian leaders are not satisfied with the explanation that the British High Commissioner consulted and gained the approval of Nessim Pasha, the Egyptian Prime Minister, because the latter is widely regarded as a tool of the British. Nessim is an independent and, though well-liked personally, has no political following. For a year he has ruled the country by decree and without a constitution or a parliament. Even before the Ethiopian crisis became acute there was general disappointment because he had failed to get the British to agree to the restoration of the Constitution of 1923 and, under it, to the election of a truly representative parliament to which the government would be responsible.

The leading Egyptian party, the nationalist Wafd, has been grateful to Nessim Pasha for many of the reforms he has brought about and especially for his restoration of the rights of free speech and free assembly. Last June the Wafd leaders recognized his good intentions as well as the formidable obstacles he faced in putting them into effect, and agreed not to press him.

The war in Ethiopia naturally altered the situation. The British became adamant against changes in Egypt while the crisis lasted, and found it necessary to make wide use of Egyptian territory for military and naval bases. And Nessim was in no

position to gainsay them. During October the resentment of the press against him became so great that for a time it appeared that the Wafd might withdraw its support.

On Oct. 23, however, the moderates in the Wafd succeeded in winning a respite for Nessim, and on Nov. 7 the British sought to strengthen Nessim's position by giving assurances that Egypt's status would not be changed and that British warships would be withdrawn from Alexandria as soon as the crisis is over.

This situation was completely altered by Sir Samuel Hoare's references to Egypt in his Guildhall speech of Nov. 9. After expressing Great Britain's gratitude for Egypt's cooperation in sanctions against Italy, he denied that the British Government was opposed to the return in Egypt of the "constitutional régime suited to her special requirements." By failing to make it clear that the British did oppose such a return at the present time, the British Foreign Minister appeared to place the blame for not restoring the Constitution squarely upon Premier Nessim. The Wafd found itself unable to make allowances for Sir Samuel Hoare's ill-considered or rather ill-worded statement, and on Nov. 12 decided to withdraw its support from the Premier. Whether Nessim would be forced to resign remained to be seen.

There does not appear to be any genuine antipathy toward Great Britain among the Egyptians. British policy in regard to Ethiopia is in fact generally approved. But Egyptians of all parties desire recognition by Great Britain as an ally. Such recognition would require a treaty defining rather clearly the position of Great Britain in Egypt. The treaty in turn would have to be ratified on the part of Egypt by a representative parliament, which is not possible without a constitution. As Great Britain has shown no inclination to deal with the treaty question in normal times, it is extremely unlikely that she will do so now.

TURKEY NIPS A PLOT

A plot against the life of Mustafa Kemal Ataturk, President of the Turkish Republic, was discovered in August and the conspirators arrested, but no announcement was made until Oct. 17. Involved in the plot were six Circassians and a Deputy in the Grand National Assembly on whose farm near Adana the conspirators met after entering Turkey from Syria. All of those implicated are awaiting trial.

A NEAR EASTERN PACT

It was learned in London on Oct. 20 that a pact pledging non-aggression and amity had recently been concluded at Geneva by the representatives of Turkey, Iraq and Iran. It was believed that Afghanistan and Saudi Arabia would also become parties to the pact. Diplomatic circles at Geneva found assurance in the agreement that the recent tension between Iraq and Iran over boundary questions would be lessened.

MINORITY RIGHTS IN IRAQ

Iraq gave new notice to the world in mid-October that her minorities can expect no privileges. Troops were sent against the Yezidis, or devil-worshipers, for refusing to register their names with the army under the National Defense Law. Yezidi losses are reported to have been heavy, and martial law was established in their communities. The captured insurgents were tried by court-martial, many being sentenced to imprisonment and one to death. Their leader, Daud Al-Daud, escaped with his sons to Syria, from whose authorities the Iraqi Government is asking their extradition.

China Abandons Silver

By GROVER CLARK

FLEXIBLE export taxes and strenuous efforts having failed to stop the flow of silver from China toward the vaults of the United States Treasury, the Nanking Government on Nov. 3 made the drastic move of taking China's currency off a silver base and putting it on managed paper. By an official order of the Minister of Finance, all holders of silver are required to surrender it to the government-owned Central Bank of China, accepting notes at face value in exchange. Notes of the Central Bank, the Bank of China and the Bank of Communications are to be legal tender for all purposes and for the payment of all debts. Finance Minister Kung declared that the foreign exchange rate would be maintained by unlimited purchases of foreign exchange and that currency speculators would be dealt with sternly.

The move was designed to check the steady fall in prices that has accompanied the rise in the value of silver brought about largely by the American purchases. As things stood, the bullion value of a Chinese silver dollar was distinctly more than the face value of the coin. Consequently, the deflationary movement was being rapidly accelerated, and something had to be done. But as a move by itself it is hard to see justification for the order or to feel that any real benefit will result; as a step toward going on the gold standard, which has been discussed for some time, or toward radical currency reform, it may be worth while. There seems little likelihood that the Chinese Government will be able to get into its hands all the silver in the country or even a substantial part of it; good hard silver is too tangible a reality, compared with paper banknotes, for the Chinese to give up.

The Japanese, according to Shanghai and Tokyo reports, became indignant when they learned what China had done about its currency—not, apparently, because of the move itself but because the Nanking Government actually had had the audacity to make the move without getting Japan's permission. They also thought that perhaps the British had stolen a march on them by arranging the loan which was rumored.

It is an interesting coincidence that Nanking acted shortly after the arrival in China of Sir Frederick Leith-Ross, Economic Adviser to the British Treasury. While in Japan, where he spent two weeks before going to China, he was successfully vague in response to Japanese inquiries as to whether Britain intended to play with Japan, or with China against Japan, in maintaining her economic and other interests in the Yangtze Valley and elsewhere, and also whether Britain was planning to offer China a loan of £10,000,000, as rumored.

After Sir Frederick left Japan the British Ambassador was more specific. On Nov. 6 he officially assured the Japanese Vice Minister for Foreign Affairs that the British Government desired to cooperate with Japan in helping China and that it had not acted individually. With the report

of this statement the news was given out that on Oct. 31 Britain had suggested that Japan join in a loan of £10,000,000 for currency stabilization in China. This proposal, the Ambassador let it be known, was not one for which Leith-Ross was responsible; in fact, it only partly embodied his views. The Japanese press reaction was that Japan should not participate in such a joint loan. As no decision had been reached by Nov. 3, when Nanking made its currency move, that move could not have been the result of securing either a British or a British-Japanese loan.

HOSTILITY TO CHIANG KAI-SHEK

Revolver shots which nearly took the life of Wang Ching-wei, the Chinese Premier, and wounded two lesser members of the Kuomintang Central Executive Committee on Nov. 1 temporarily postponed the sessions of the committee, which was about to make preparations for the national congress of the party. The shots were fired by a Chinese newspaper man in protest against the submissiveness of Premier Wang and the Nanking Government to Japan. The Premier, though seriously wounded, is expected to recover.

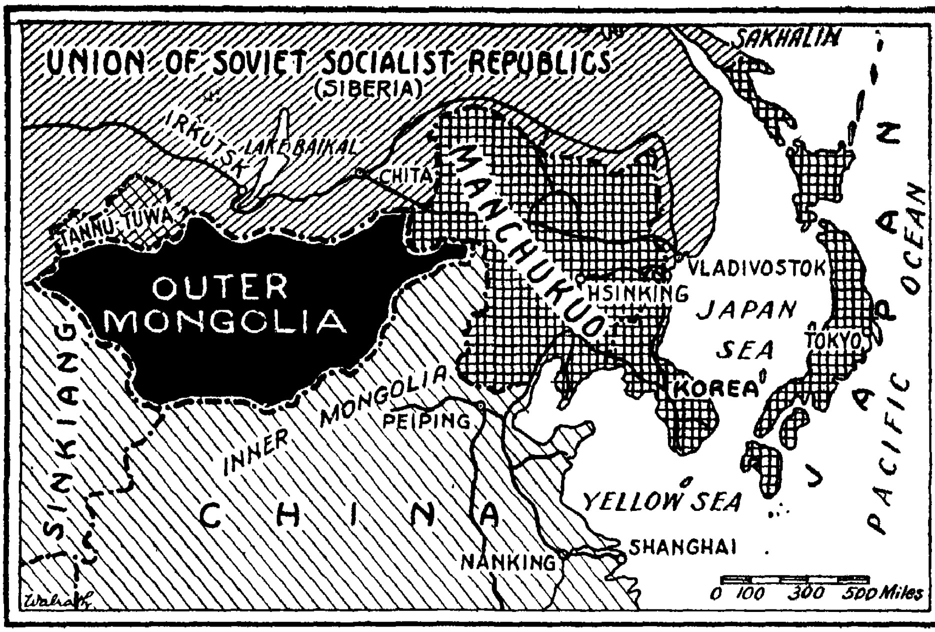
The growing hostility to Chiang Kai-shek and his régime at Nanking and to continuing submission to Japanese demands found less explosive but more significant expression at Canton. Marshal Chen Chia-tang, the virtual dictator of Kwantung Province, refused to yield to Japan at Swatow, and backed up the refusal by concentrating troops around the city. Then, on Oct. 18, he declared most emphatically that Kwangtung would fight if Japan invaded the Province. He scathingly criticized the Nanking régime for not resisting Japan, but added that "while many profound differences exist between the Southeast and Nanking over domestic and foreign policies," Nanking would have to strike the first blow if a civil war came.

Chiang seems to have realized that he might face trouble even at Nanking. Through the latter part of October, troops steadily moved into that area. Ostensibly they were assembled for Autumn manoeuvres. Some Japanese said they thought the troops were to practice resisting a "foreign invasion," and waxed indignant over this further evidence of Chiang's lack of "sincerity." Chinese and others saw in the troop concentration preparations by Chiang to overawe the Kuomintang National Congress and to crush any possible outbreak against his authority. Whatever the reason, the troops gave Chiang continued complete mastery in the Lower Yangtze region.

Chiang, who had arrived in Nanking from his headquarters in Szechuan, seems to have been less completely successful in his protracted anti-Communist campaigns than the official reports would indicate. For instance, all the Communists were supposed to have been cleaned out of Hunan. But toward the end of October a large group of them started marching across country from Changteh to the Yangtze. Then they vanished behind the censor's smoke screen. Reports from the Northwest tell of the arrival in Shensi and Kansu Provinces of fairly large bodies of Communist troops from Szechuan. Kwangsi Province also reports renewed Communist activities.

JAPAN'S DEMANDS IN CHINA

Shortly after Mussolini launched his drive into Ethiopia the Japanese leaders concluded that the time had come for a general overhauling of Japan's dealings with and in China. The opportunity presented by Eu-



Outer Mongolia, which Japan hopes to use as a wedge to separate China from Soviet Russia

rope's preoccupation was one reason for this decision. Another was the fact that for several months Japanese military officers in China, especially the loquacious General Isogai, Military Attaché of the Japanese Embassy, and General Tada, commandant at Tientsin, had been considerably more bellicose in their utterances than either the Foreign Office or the general staffs at Tokyo liked. Tokyo does not seem to have differed with the army spokesmen in China on Japan's general objectives, but it has wanted a little more of the velvet glove and a little less of the mailed fist.

The Tokyo authorities accordingly sent the chiefs of the China sections of the Foreign Office, the Army General Staff and the Navy General Staff to China to "present the Japanese Government's views" in a series of meetings of high Japanese military, naval and diplomatic officers in China. These three chiefs left Japan on Oct. 7, and the meetings were held during the two following weeks. The first subsequent official move was to present a strongly worded note to the Chinese authorities at Peiping and Tientsin demanding effective action in stopping anti-Japanese activities. Less formal statements by the Japanese Ambassador and by the talkative army leaders made it clear that Japan still would hold to her three "irreducible minima": Complete suppression of all anti-Japanese activities throughout China, economic cooperation in North China, and effective action to prevent the spread of communism into the Inner Mongolian Provinces of Suiyuan and Chahar.

If the Chinese will "show sincerity" in meeting these demands, the Japanese statements have it, there will be no need for further Japanese military action; otherwise Japan may be compelled to take direct and forceful action for the sake of the suffering

people of China. This may mean the creation of an independent political régime including the five North China Provinces, and perhaps the dispatch of Japanese troops to "help" Chiang Kai-shek put down the Communists.

The trouble at Swatow over Chinese collection of what the Japanese claim were illegal taxes on imported rice has been ended, by what looks a good deal like a Japanese backing down, incredible as that may appear. The Chinese authorities, as demanded by the Japanese, released one boat carrying rice and bean oil which they had seized for non-payment of provincial agricultural products taxes. But this was after the taxes had been paid, and they refused to stop collecting the tax on rice imported from Formosa. Troops were gathered in considerable numbers and hastily entrenched around the city, in case the Japanese tried to use force. The incident was closed, at least for the moment, when, on Oct. 18, all the ten Japanese warships, except one destroyer, sailed away after being a month at Swatow. Not one of the major Japanese demands had been granted.

The Japanese were more successful at Hankow. A Japanese intelligence officer there discovered that the Chinese soldiers were using, in rifle practice, targets painted like the Japanese flag. The Consul General, extremely indignant over the insult, demanded the dismissal of the Chinese commanding general and the suppression of all anti-Japanese activities. The Chinese said the soldiers had been using targets like these since 1900. But they looked at the Japanese warships anchored off the Hankow Bund and on Oct. 9 the general was dismissed and the promise was given.

In the far north new border clashes between Russians and Japanese on Oct. 6, 8 and 12 resulted in the death of several soldiers on each side and the wounding of others. Protests, replies and counter-protests duly followed. There were two principal points of disagreement: Which side was guilty of invading the territory of the other? Should Russia deal with Japan or with Manchukuo? Moscow proposed the immediate creation of a commission of investigation. Tokyo suggested a commission to delimit the frontier exactly. The newspapers grew fervid, but the officials on each side seemed eager to avoid making a big issue out of the incidents. Significantly enough, however, Moscow in its latest statement on the subject, on Nov. 5, took occasion to reveal that the military position of the Soviet army in the Far East had been greatly improved by the completion of the double-tracking of the Transsiberian Railway from Chita to Khabarovsk and the construction of a modern highway from Khabarovsk to Vladivostok.

JAPANESE TRADE

Figures recently made available indicate that Japan did distinctly less well in her foreign trade balance in 1934 than in 1933. The combined visible and invisible trade for the whole empire in 1933 showed a net balance of payments due to Japan of 12,900,000 yen. In 1934 there was instead a net loss of 136,900,000, or a change to Japan's disadvantage of 149,800,000 yen from 1933. [The current value of the yen is 28.68 cents.]

Government finances improved slightly, though income from other sources than loans still fell far below expenditures. Reports of the "Big Six" private banks show that at the end of June, 1935, total deposits had increased 1.7 per cent over Dec. 31, 1934, and 4.1 per cent over June 30, 1934.

On the Margin of History

American Guidebook

THE unemployed writer as well as the unemployed laborer and mechanic is being cared for under the New Deal. Among the recently adopted projects of the Works Progress Administration is one to prepare a five-volume tourist's guide for the whole United States. From 5,000 to 6,000 white-collar workers now on relief rolls will be kept going for fifteen months in collecting the necessary information. The administrators of the project in the various States will serve as dollar-a-year men, leaving nearly all the $3,000,000 allotment for wages. The first volume, dealing with the southeastern region, is expected to be available for tourists next Winter.

Profits From Italy's War

Several countries in Central Europe and the Balkans have enjoyed something like a boom because of Italy's adventure in East Africa. Austria's exports to Italy for the first six months of 1935, for example, were 250,000 tons larger than for the same period in 1934. These sales were chiefly lumber, steel, chemicals and medical supplies. Czechoslovakia has furnished unusually large quantities of coal and canned goods. So great have been Italy's purchases of gasoline and livestock from Rumania that the latter's exports to Italy for the first seven months of the year exceeded the total for the entire year of 1934. Even Yugoslavia, with whom Italy's relations have not been very cordial, has received orders for large quantities of lumber, cement and dried plums. Turkish exporters were also enjoying a thriving business with Italy until the League condemned Italy as a violator of the Covenant.

Colonies for All

When Great Britain offered to cede a strip of British Somaliland to Ethiopia if Ethiopia would make territorial concessions to Italy so as to avert war, the suggestion was not new. Writing on "The Next War and How to Nip It" in *Scribner's* for April, 1927, Professor Albert Guérard of Stanford University pointed out that the basis for future conflict lay in the fact that Germany had no colonies and that Italy had none worthy of the name. If Portugal and Belgium, possessed of African territory out of all proportion to their position in Europe, would, he remarked, give up some of their land and "if France and England jointly would match, mile for mile, what Portugal and Belgium had to jettison, a very handsome mass would be created wherewith to satisfy Italy and Germany."

Self-Effacing King

King Victor Emmanuel III of Italy, who has been on his throne thirty-five years, believes that the function of a constitutional monarch is to be "a permanent under-secretary to successive Premiers." It is said that only once has he departed from this self-denying ordinance, to wit, when he signed the decrees that gave the Fascists absolute power. But since Mussolini took control there are those who think that the King has so completely effaced himself—or been forced to do so—that he has not even the authority of one of the various under-secretaries through whom Mussolini tries to administer seven or more of the departments of the Italian Government.

Emperor in a Cage

Somewhere in Southwestern Ethiopia, close to the border of the British colony of Kenya, a former emperor lives in a gilded cage. He is Lij Yasu, cousin of Haile Selassie and grandson of the great Emperor Menelik II. Lij Yasu got control of Ethiopia in 1913, but his reign was cut short when Zauditu, daughter of Menelik, seized the throne with the aid of the present Emperor. Since that time Lij Yasu has been a closely guarded

prisoner, although reports insist that his confinement has been made somewhat easier by luxurious surroundings. The former ruler was imprisoned near Harar until the Italian advance into Ethiopia made it wise to transfer him to a remote part of the country where there would be small likelihood of his being freed by the invaders and used as a puppet emperor to stir up further trouble for Haile Selassie.

"Ethiopian Litany"

South African Opinion, Johannesburg, offers the following "Ethiopian Litany":

From the tram and the motor cycle, from the factory and the mine shaft,
From the bomb and the submarine and chemical warfare,
From the misleading headline and the omniscient journalist,
From the munitions king and the loud-mouthed demagogue,
From the shirts—black, brown or any imitation,
From the white man's justice to his black neighbor,
From the starvation in the midst of plenty,
In short, from Western civilization—
Oh, God of Shem and Ham, deliver us!

"Uncle Arthur's" Passing

A former soldier in the Salvation Army died on Oct. 20 in a London nursing home. He had also been an iron worker, a member of Parliament and of several British Cabinets. And in December, 1934, he received the Nobel Peace Prize. "Uncle Arthur" Henderson, as he was widely known, devoted his life to the creation of a strong British working-class party and his last years to world peace. For a generation he was a leader in the Labor party and a force for moderation in its counsels. Unlike his former colleague, Ramsay MacDonald, he supported a vigorous prosecution of the war, although after it ended he strove for friendly relations between the Allies and Germany. As Foreign Secretary he resumed diplomatic relations with the Soviet Union. Arthur Henderson's career reached its apogee when in 1932 he opened the International Disarmament Conference at Geneva, and as its president in the years that remained to him he gave all his energies to its purposes. Ill health and disappointment dogged him, however, and at 72 his course was run.

German Navy Chief

Erich Raeder, recently appointed Grand Admiral of the German Navy, served as a young officer directly under von Tirpitz. From 1910 to 1912 he was navigation officer of the Kaiser's yacht, Hohenzollern; during the World War he was Chief of Staff to Admiral Hipper and took part in the battles at the Dogger Bank and at Jutland. Later, he wrote the official history of the destructive campaign waged against enemy commerce by German surface craft. It was Raeder who was largely responsible for the "pocket battleship" program and for the secret naval construction that led to the Anglo-German naval agreement of 1935.

Nazi Who's Who

A sort of Who's Who and Official Directory of Germany, published under the title *Das Deutsche Fuehrerlexikon* for 1934-1935, contains in its 700 pages a vast amount of information concerning leaders of the Third Reich. But as the book was being made ready for the press the Nazi party suffered its purge of June 30, 1934. The consequence is that in the biographical sections dozens of spaces were left blank. Certain indexes, however, were already printed, so that unpleasant memories could not be banished by the simple expedient of omitting a few inches of type. In these instances the publishers pasted small pieces of paper over offending names. But by holding the pages to the light one may thwart the censorship and discover that among the Nazi members of the Reichstag not so long ago there were such personages as Karl Ernst, Hans Hayn, Edmund Heines and Ernst Roehm.

Habsburg Love Tragedy

Nearly fifty years ago—in 1889—Crown Prince Rudolf, heir to the throne of the Habsburg Empire, was found dead at his hunting lodge at Mayerling, outside Vienna. At his side, also dead, lay the Baroness Marie Vetsera, with whom

he had been presumably in love. Was it a suicide pact? Or had the Crown Prince been murdered? At the time the Austrian court did everything to hush up the scandal, while those who knew the truth held their tongues. What seems the final answer to the mystery has at last been given through the publication on Oct. 21 of the memoirs of Countess Lonyay, Rudolf's widow. A farewell letter from the Crown Prince to his wife leaves little doubt that he killed the Baroness Vetsera and then himself. To this letter, which is reproduced in the memoirs, the former Crown Princess adds the comment: "He never loved Marie Vetsera. She was only one of many for him. But she loved him truly, and I am glad to be able to say this although I was the deceived wife."

Hungary Remembers

In the United States there is no shortage of memorials to Europeans who fought for American freedom, but corresponding European tokens of devotion to Americans are extremely rare. Therefore especial interest attaches to a movement now under way in Budapest to erect a monument to the memory of Major General H. H. Bandholtz, who, as American representative on the Inter-Allied Military Commission in 1919-1920, protected Hungary against the ravages of Rumanian soldiers. It was he who prevented the pillaging of the Hungarian National Museum by sealing the doors with notices written in long hand and decorated (to secure the desirable official touch) with A. E. F. censors' rubber stamps.

French Diplomatic Chief

While French Foreign Ministers come and go, continuity of policy is safeguarded at the Quai d'Orsay by the permanent Secretary General who watches hawklike over French diplomacy. Knowing its traditions, aims and methods and working behind the scenes, he is often more important than the Foreign Minister who stands in the spotlight. Today this power is exercised by Alexis Léger, who was born forty-eight years ago in an island of the French West Indies. On the eve of the World War, after planning first a career in medicine and then one in law, he entered the foreign service and was sent as a consular attaché to China. Intelligent, penetrating reports sent back to Paris brought Léger recognition at the Foreign Office, and in 1921 he was appointed to the permanent secretariat. Thereafter he rose rapidly, the more so because Aristide Briand found in Léger a confidant and friend. In 1933, a year after Briand's death, he was made Secretary General at the Quai d'Orsay, where, practically unknown to the general public, he is the virtual chief of the French diplomatic service.

Ulster's Fighting Man

Flags were lowered to halfmast in Belfast, capital of Northern Ireland, on Oct. 22, when news came of the death of Edward Carson, who had been raised to the peerage as Lord Carson in 1921. He had one of the most colorful careers in recent British history for he was always fearless in speech and act, not hesitating even to call Lloyd George "a little popinjay." Born in Catholic Dublin on Feb. 9, 1854, he spent some of the best years of his life fighting for Protestant Ulster. A brilliant record at the bar, which included the posts of Irish Solicitor General and British Attorney General, was made notable by Carson's appearance in several famous cases, including the trial of Oscar Wilde. He sat in the House of Commons for nearly thirty years and rose to Cabinet rank, but he was best known for his hostility to any Home Rule scheme that would bring Ulster under the control of Catholic Ireland. In the pre-war days this led him to help in the formation of a volunteer army in Ulster—Carson's Volunteers—to resist Irish Nationalist rule by armed force if necessary. The World War temporarily ended the struggle, and in the years after 1918 he supported the settlement that left Ulster outside the Irish Free State.

Jobs From Sweepstakes

The Irish Hospital Sweeps, run on three great English horse races, are responsible for the third largest business in the Irish Free State as far as direct employment is concerned. About 1,700

girls get regular and well-paid work in the Dublin offices of the Sweeps, and for some weeks before each of the drawings every year about 4,000 are on the payroll. In the past fifteen years £27,348,986 (about $136,000,000 at present exchange) has been distributed in prizes, while a third of that sum has gone to hospitals.

100,000,000 Japanese

Japan's fourth quinquennial census was taken by 250,000 census workers on the night of Oct. 1. Results will not be announced until the end of the year, but it is expected that the total population of the empire will number 100,000,000.

More College Students

Enrolments at forty-four State universities and land-grant colleges were 8.3 per cent greater in 1935 than in 1934, according to reports received by the National Association of State Universities. The gains for institutions in the different sections of the country ranged from 2.1 per cent in New England to 10 per cent in the Pacific Coast States. The increased enrolments are regarded as another sign that economic conditions have improved in every section of the country. Part of the increase has, however, probably been due to the National Youth Administration, which aids needy aspirants for a college education.

Life on Mars?

Ever since Percival Lowell suggested that the dark markings on the planet Mars were irrigation canals, there has been a great deal of speculation about the possibility of life on that planet. Most of the astronomers who have gone into the theory were skeptical from the first and long ago became convinced that it was untenable. Dr. Loring B. Andrews of the Harvard University Observatory, recently summing up the evidence against the existence of human beings on Mars, pointed out that the atmosphere of the planet contains only one-quarter of 1 per cent as much oxygen as the atmosphere of the earth at sea level, and for that reason alone the possibility of human life is infinitesimally small. Dr. Andrews admitted, however, that since temperature conditions are not extreme and water exists, there may have been enough oxygen at some time in the past to support human beings.

Shaw for Nudism

George Bernard Shaw, who is now in his eightieth year, has just come out in favor of nudism. The provocation seems to have been a remark made by a Bishop of the Church of England that any one who visited a nudist camp was no gentleman—or lady, as the case might be. Shaw thought it would be a good thing to send the Bishop on a tour of tropical lands, for "by the time he returns he will get a violent shock if he finds any one with any clothes on whatsoever." Denying that there was anything unmoral about nakedness, Shaw repeated the statement made by others before him that "the whole secret of sex appeal lies in clothes."

Prize Plays

One result of the dissatisfaction caused by recent awards of the Pulitzer Prize for the best American play of the year is that the dramatic critics of New York have decided to make their own award. Not the least unfortunate result of awarding the prize to the best play in a given season is that some years might produce several that are all more worthy of recognition than the best in other years. In this way a good writer may never get on the prize list. Meanwhile, the complete texts of all the plays, except the last, that have won the Pulitzer Prize have been collected in a single volume (*The Pulitzer Prize Plays*, 1918-1934. Edited by Kathryn Coe and William H. Cordell, New York, Random House, $3.50), so that one may form an idea of how much they have contributed to American drama. For the most part they turn out to be interesting, though hardly great. Yet, after making all allowances for the anomalies inevitable in any system of prize-giving, these sixteen plays as a whole show how considerable has been the diversity of interest and skill among our playwrights in the past eighteen years.